India’s Next Growth Frontier

Reducing Anti-Competitive Market Distortions to Build on India’s 2010 to 2023 Reform Progress

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Executive Summary

Overall, India’s economic story between 2010 and 2023 has shown a material improvement in the level of its market distortions. It has seen the benefit of these reductions in its improving GDP per capita.

However, it is important to note that India’s economy is moving along two tracks. **The first** is a record of substantial domestic reform, reflected in India’s rise in Competere Foundation’s Anti-Competitive Market Distortions (ACMD) analysis over the 2010 to 2023 study period.

Between 2010 and 2023, India moved materially closer to the frontier of voluntary exchange and competition on the merits. Competere Foundation’s market-distortions analysis shows India advancing 25 places, from 82nd to 57th among the economies covered, and reducing the estimated five-year GDP per capita loss associated with remaining distortions by 11 percentage points. Since this is a long run number this means India is finding an additional 1% GDP per capita year on year as a result of the reforms it has undertaken in the study period of 2010 to 2023. The strongest improvement appears in the domestic conditions that shape how firms enter, operate, invest, reorganize assets, and compete inside India’s own market. That matters because domestic regulation has historically been one of the principal constraints identified in India’s market-distortions profile.

The second track is a set of remaining frictions that continue to limit India’s growth potential. These frictions arise externally, through regulatory barriers that Indian exporters face in major markets, and internally, through foreign-investment restrictions and competition-policy drift that weaken contestability inside India. The picture is one of substantial progress and remaining opportunity. India is one of the strongest structural reformers in the 2010 to 2023 analysis, but the next stage of growth depends on extending the same reform discipline to the remaining distortions.

This report evaluates those issues through the Anti-Competitive Market Distortions (ACMD) framework. ACMDs are government-imposed or government-tolerated measures that distort the ordinary process of competition by interfering with voluntary exchange. They may appear as tariffs or border barriers, but they more often operate behind the border through regulation, licensing, subsidies, ownership restrictions, selective enforcement, weak property-rights protection, or measures that protect incumbents from competitive pressure. The ACMD framework measures these distortions through three pillars: Property Rights Protection (PR), Domestic Competition (DC), and International Competition (IC).

India’s improvement from 2010 to 2023 was concentrated most heavily in the Domestic Competition pillar. This matters because India’s low starting position was particularly affected by domestic regulation and internal market frictions. Over the review period, India made significant progress in the domestic institutional environment. The introduction of the

Goods and Services Tax helped reduce internal fiscal fragmentation and move India toward a more integrated domestic market. The Insolvency and Bankruptcy Code strengthened the framework for insolvency resolution and asset reallocation. India also improved substantially in the World Bank's Doing Business rankings, moving from 142nd in Doing Business 2015 to 63rd in Doing Business 2020.

India's trade-facilitation reforms also support this story. The WTO Secretariat identified measures including the Indian Customs Electronic Gateway, the Single Window Interface for Facilitating Trade, the Authorized Economic Operator program, Direct Port Delivery, Direct Port Entry, and wider use of the Risk Management System. These reforms are relevant because international competition depends on more than formal market access. It also depends on whether goods and firms can move through customs and administrative systems without unnecessary friction.

India's external trade strategy should now reflect the same logic. Indian exporters face increasing barriers from the expansion of the European regulatory zone, especially in sanitary and phytosanitary rules, technical barriers to trade, pesticide residue standards, conformity assessment, sustainability rules, and related regulatory systems. These measures can operate as ACMD-type barriers when they restrict market access beyond what is necessary to achieve legitimate public objectives. The risk increases if the United Kingdom becomes dynamically aligned with European Union sanitary and phytosanitary rules, because Indian exporters who have just negotiated concessions with the UK in the India-UK FTA may soon face the European rulebook across a wider regulatory zone, including being subject to the EU's very strict and restrictive import control regime for agriculture.

India has a strong interest in opposing this model of regulatory expansion. It should support science-based rules, proportionality, equivalence, mutual recognition, and regulatory cooperation that preserve legitimate public objectives while keeping markets open. India should also build common cause with other exporters that have challenged or criticized European Union sanitary and phytosanitary measures in WTO committees, including the United States, Canada, Australia, New Zealand, Brazil, and others. The practical issue is that formal market access has limited value if regulatory conditions close the market in operation.

The most important remaining opportunity lies inside India. India's foreign-investment architecture continues to condition market access through sectoral caps, government approval routes, sourcing mandates, investment obligations, security screening, and restrictions on permissible business models. Some screening is justified where genuine public interests are involved. The ACMD question is whether the restriction is calibrated to that public interest, or whether it protects incumbents by reducing entry, scale, investment, and contestability.

Retail and e-commerce provide the clearest example. India permits 100 percent foreign direct investment under the automatic route in the marketplace model of e-commerce but prohibits foreign direct investment in the inventory-based model. Marketplace entities are also subject to conditions limiting ownership or control over inventory and restricting influence over sale prices. Multi-brand retail trading remains subject to a 51 percent foreign-investment cap under the government route, with minimum investment, back-end infrastructure, local sourcing, and state-level conditions. These restrictions limit the ability of foreign-funded firms to deploy integrated retail, logistics, procurement, pricing, and fulfilment models that may lower costs, improve consumer outcomes, and diffuse productivity-enhancing practices across the Indian economy.

Other sectors retain similar conditional access structures. Media and news remain subject to equity caps and government approval. Civil aviation, banking, financial-market infrastructure, defence, and space each retain sector-specific limits, approval thresholds, or screening requirements. Some of these restrictions reflect stronger public-interest concerns than others. The economic discipline should be the same in each case. Where the public objective can be achieved through licensing, conduct rules, prudential safeguards, security conditions, or transparency requirements, ownership ceilings and business-model restrictions should be reviewed.

Competition policy presents a second major remaining friction. India has a legitimate interest in keeping digital markets contestable. Large tech platforms can raise important questions involving data, app distribution, payments, self-preferencing, tying, interoperability, and access to consumers. The concern is that competition policy may move away from effects-based enforcement toward a precautionary or ex ante model, particularly in digital markets. The Competition Commission of India’s Google Android and Play Store matters, the proposed Digital Competition Bill, and the move toward global-turnover-based penalties all raise questions about proportionality, investment certainty, and dynamic efficiency.

The risk is not enforcement itself. Competition law is necessary where firms engage in conduct that harms the competitive process. The risk is enforcement or regulation that treats scale, integration, or ecosystem position as evidence of harm without sufficient analysis of consumer welfare, innovation, and market effects. Digital markets require careful enforcement because mistaken intervention can chill investment, reduce product integration, weaken platform functionality, and raise compliance costs for the wider business ecosystem. India’s digital economy will benefit from a competition framework that protects consumers and entry while preserving efficient scale, innovation, and dynamic rivalry.

Competere Foundation estimates that the remaining distortions analysed in this report impose a combined economic loss of approximately $173.6 billion on the Indian economy over five years, equivalent to roughly 4.2 percent of GDP. Foreign-investment restrictions account for approximately $127.2 billion of that loss. Competition-policy drift accounts for approximately $46.4 billion. These losses fall on India first. They reduce productivity, limit investment, weaken contestability, slow technology diffusion, and reduce the gains available from India's own domestic reform success.

The policy recommendations follow directly from India's own reform record:

- *India should continue to defend its exporters* against unnecessary or disproportionate foreign regulatory barriers, especially where sanitary and phytosanitary or technical rules operate as disguised restrictions on market access.
- *India should resist the expansion of dynamic alignment models* that extend the most restrictive regulatory systems into additional markets and reduce the value of regulatory diversity for Indian exporters.
- *India should review sectoral foreign-investment caps*, government approval routes, sourcing mandates, and business-model restrictions against their effects on entry, scale, consumer welfare, investment, and productivity.
- *India should assess retail and e-commerce restrictions* in terms of logistics efficiency, supplier access, consumer prices, technology diffusion, and small-business participation.
- *India should keep digital competition enforcement anchored* in evidence of consumer harm, competitive effects, proportional remedies, due process, and explicit assessment of dynamic efficiency.
- *India should use ACMD benchmarking to track* reform progress over time, identify the pillar-level sources of remaining distortion, and prioritize reforms with the greatest likely GDP per capita gains.

India's strongest argument for further reform is its own success. The 2010 to 2023 record shows that reducing internal frictions can move the economy closer to the frontier of undistorted markets and the GDP per capita this liberates. The next stage of growth depends on applying that same logic to the remaining restrictions that limit contestability. If India follows this path, it can strengthen domestic productivity, improve consumer welfare, attract higher-quality investment, expand export capacity, and position itself as a leader in the global effort to reduce anti-competitive market distortions.

PART I: The Ascent to the Frontier: India’s Domestic Liberalization and the ACMD Framework

1 In 2010, India’s growth potential was constrained by a domestic market burdened by internal frictions, fragmented rules, weak insolvency mechanisms, and regulatory conditions that made entry, expansion, and capital reallocation more difficult than they needed to be. Thirteen years later, India had moved substantially closer to a more open and competitive domestic economy. Competere Foundation’s market distortions analysis shows India advancing 25 places between 2010 and 2023, from 82nd to 57th among the economies covered, and reducing estimated long-run GDP per capita loss associated with remaining distortions by 11 percentage points. The improvement is concentrated most strongly in the domestic conditions that shape how firms enter, operate, invest, and compete inside India’s own market.

2 India’s reform record is therefore also a story of institutional movement. The domestic reforms undertaken during this period reduced some of the barriers that had limited voluntary exchange within India’s own economy. They improved the conditions under which firms could form, contracts could be enforced, assets could be reorganized, and goods could move through a more integrated national market. That is why India’s progress should be understood as an Anti-Competitive Market Distortions (ACMD) reduction story, and why the same framework can identify the remaining reforms most likely to support India’s next stage of growth.

3 ACMDs are government-imposed or government-tolerated measures that distort the ordinary process of competition. They interfere with voluntary exchange by changing the conditions under which firms enter markets, consumers choose among suppliers, investors allocate capital, and productive assets move to higher value uses. These distortions may appear as tariffs or border barriers, but they more often operate behind the border through domestic regulation, licensing, subsidies, selective enforcement, ownership restrictions, weak property-rights protection, or rules that protect incumbents from competitive pressure.[1]

4 The relevant test is the measure’s effect on the competitive process. Regulation that addresses a genuine public objective can remain consistent with competitive markets when it is proportionate, non-discriminatory, and designed to preserve entry and rivalry as far as possible. The same legal instrument can become an ACMD when it creates privilege, raises rivals’ costs, shields incumbents, restricts market access, or prevents firms from competing on the merits without a commensurate public benefit. The ACMD inquiry therefore focuses

[1] Shanker A. Singham, International Trade, Regulation and the Global Economy: The Impact of Anti-Competitive Market Distortions (London: Routledge, 2026), 8-10.

on how policy choices affect productive efficiency, allocative efficiency, dynamic efficiency, and ultimately GDP per capita.[2]

5 The link between ACMDs and growth runs through three efficiency channels:

- **Productive efficiency**: concerns the cost at which goods and services are produced. A market with high productive efficiency allows firms to produce at the lowest feasible cost given available technology, inputs, and organization. ACMDs reduce productive efficiency when they impose unnecessary or disproportionate compliance costs, prevent scale economies, force duplication of infrastructure, restrict access to efficient inputs, or protect firms that would otherwise face stronger competitive pressure. The result is higher cost throughout the economy, including in downstream sectors that rely on the protected or distorted market.
- **Allocative efficiency**: concerns whether resources move toward uses that reflect consumer demand under competitive conditions. A market with high allocative efficiency directs capital, labour, and other inputs toward firms and activities that can satisfy demand most efficiently. ACMDs reduce allocative efficiency when licensing, approval routes, directed credit, procurement preferences, subsidies, or market-access restrictions keep resources in protected or less productive uses. Prices, output, and investment then reflect policy privilege rather than consumer preferences and competitive discipline.
- **Dynamic efficiency**: concerns innovation, entry, technological progress, and long-term productivity growth. A market with high dynamic efficiency allows new firms, technologies, and business models to challenge incumbents. ACMDs reduce dynamic efficiency when they chill investment, weaken intellectual property protection, deter entry, restrict technology diffusion, or penalize scale and integration that may be efficiency-enhancing. This is often the most difficult loss to observe because the lost output includes firms that do not enter, investment that is not made, and innovation that does not occur.

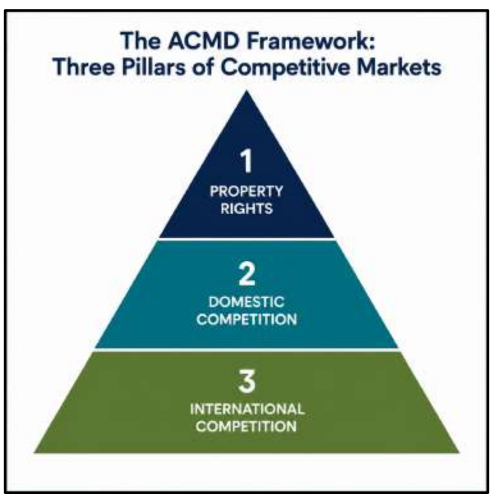
6 The ACMD framework organizes these effects through three mutually reinforcing pillars: Property Rights Protection (PR), Domestic Competition (DC), and International Competition (IC). These pillars are not separate policy silos. They are the institutional conditions that allow voluntary exchange to produce higher productivity.

- **Property Rights Protection** measures the strength, clarity, and predictability of ownership, contract enforcement, investor protection, intellectual property protection, and legal process. Property rights matter because firms compete with

[2] Shanker A. Singham and Alden F. Abbott, Trade, Competition and Domestic Regulatory Policy: Trade Liberalisation, Competitive Markets and Property Rights Protection (London: Routledge, 2023), 9-10; Singham, International Trade, Regulation and the Global Economy, 10.

assets, contracts, technology, brands, data, land, capital, and other forms of property. Weak PR conditions raise the cost of capital and reduce the incentive to invest, innovate, expand, or transfer assets to higher value uses. They also push firms toward defensive behaviour and rent-seeking, rather than long-term productive activity.[3]

- **Domestic Competition** measures whether firms can enter, operate, expand, and compete on the merits inside the domestic market. It captures domestic regulation, business freedom, labour and financial market conditions, infrastructure access, licensing, administrative burdens, and competition-policy implementation. DC is especially important because many of the most damaging barriers to growth now sit behind the border. When domestic regulation protects incumbents, raises fixed costs, limits entry, directs credit, or applies competition law in a way that discourages efficient scale or innovation, it weakens the competitive process that drives productivity.
- **International Competition** measures the openness of the economy to foreign trade, investment, and business models. It captures tariffs, non-tariff barriers, customs performance, trade facilitation, capital controls, restrictions on foreign participation, and the practical ability of foreign firms to contest the market. IC matters because exposure to foreign competition expands consumer choice, improves access to inputs, supports technology diffusion, and disciplines domestic firms. A market can appear formally open while remaining commercially constrained if foreign firms face approval barriers, ownership caps, localization rules, standards barriers, customs delays, or business-model restrictions.



7 These pillars work together. Strong property rights cannot deliver their full benefit if domestic regulation prevents entry or protects incumbents. Trade openness produces smaller gains if domestic rules prevent foreign firms from competing effectively once they reach the market. Domestic competition is weakened if property rights are insecure or if

[3] Singham, International Trade, Regulation and the Global Economy, 16-19; Singham and Abbott, Trade, Competition and Domestic Regulatory Policy, 263-302.

foreign firms are excluded from sectors where capital, technology, logistics, and management practices would otherwise diffuse. The ACMD framework therefore treats trade, competition, and property rights as a single growth architecture.[4]

8 The Singham-Rangan-Bradley-γ (SRB-γ) model provides the quantitative structure for this analysis. It links movements in PR, DC, and IC to GDP per capita using policy and institutional inputs rather than ex post economic outcomes. This distinction matters because the model evaluates whether the policy environment is more or less conducive to the voluntary exchange, market entry, capital allocation, and productivity growth that produce higher income over time.[5]

9 The SRB-γ model evaluates each pillar separately against GDP per capita. Each pillar enters the regression independently, with country and year fixed effects. This allows the analysis to distinguish the contribution of each pillar and to focus on within-country changes over time. It also avoids treating all distortions as a single undifferentiated mass when the policy implications may differ substantially across PR, DC, and IC.[6]

10 The SRB- γ specification estimates GDP per capita as a function of each pillar score, observed control variables, country fixed effects, and year fixed effects. Those specifications are:

$$\ln(\text{GDP per capita})_{it} = \beta_0 + \beta_1 DC_{it} + X'_{it}\gamma + v_t + \lambda_i + \varepsilon_{it}$$

$$\ln(\text{GDP per capita})_{it} = \beta_0 + \beta_1 PR_{it} + X'_{it}\gamma + v_t + \lambda_i + \varepsilon_{it}$$

$$\ln(\text{GDP per capita})_{it} = \beta_0 + \beta_1 IC_{it} + X'_{it}\gamma + v_t + \lambda_i + \varepsilon_{it}$$

where:

$\ln(\text{GDP per capita})_{it}$	= the logged GDP per capita of country i in year t
β_0	= the constant term, or intercept, in the regression equation
β_1	= the coefficient on the relevant pillar score in each specification
DC_{it}	= the Domestic Competition score for country i in year t
PR_{it}	= the Property Rights Protection score for country i in year t
IC_{it}	= the International Competition score for country i in year t
$X'_{it}\gamma$	= the vector of observed control variables and their estimated coefficients
v_t	= the country-invariant time-period-specific effect
λ_i	= the time-invariant country-specific effect

[4] Singham, International Trade, Regulation and the Global Economy, 16-19.
[5] Singham, International Trade, Regulation and the Global Economy, 41-48.
[6] Singham, International Trade, Regulation and the Global Economy, 47-56.

ε_{it} = the error term

11 For the 2010 to 2023 country-level analysis used here, OLS regression reveals the following coefficients reflecting the estimated impact of a one-point improvement in each pillar score on GDP per capita.

Pillar	Coefficient	Interpretation
Property Rights Protection (PR)	0.0686	A one-point improvement in PR is associated with higher GDP per capita through stronger ownership, contract, investor, and intellectual property conditions.
Domestic Competition (DC)	0.0803	A one-point improvement in DC has the largest coefficient in this application, reflecting the importance of domestic regulatory and competitive conditions.
International Competition (IC)	0.0637	A one-point improvement in IC is associated with gains from trade openness, market access, customs performance, and international contestability.

12 The model then applies a distance-to-frontier method. Each pillar has a theoretical frontier score of 7.0. The gap between a country’s actual score and that frontier represents the country’s remaining distortion distance for that pillar. That gap is multiplied by the relevant coefficient. The pillar results are then combined to estimate the long-run GDP per capita foregone associated with remaining distortions.

13 The distance-to-frontier method adds an economic measure to the ordinal ranking. A country may improve its position relative to other economies and still remain far from the frontier. It may also move substantially closer to the frontier even where other countries are improving at the same time. Competere Foundation applies this method as a long-run estimate, typically over a five- to ten-year horizon. Where this report presents a five-year policy-channel estimate, that narrower period is stated separately. In India’s case, both movements are visible: India improved its relative position and reduced the estimated GDP per capita loss associated with remaining distortions.

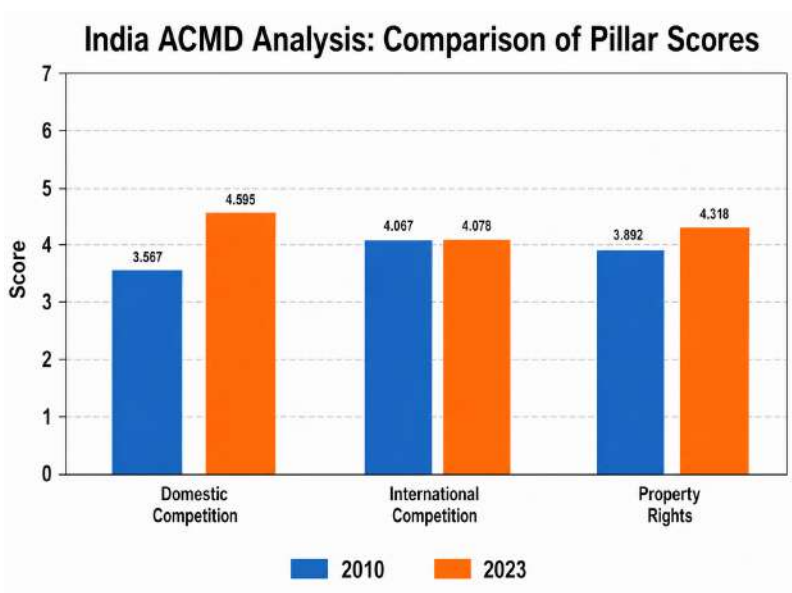
14 India’s low starting position in 2010 was particularly affected by the DC pillar, which suggests that internal regulation and domestic market frictions were among the most significant barriers to India’s growth potential at the beginning of the period. PR and IC also contributed to India’s distance from the frontier, but the dominant constraint was domestic.

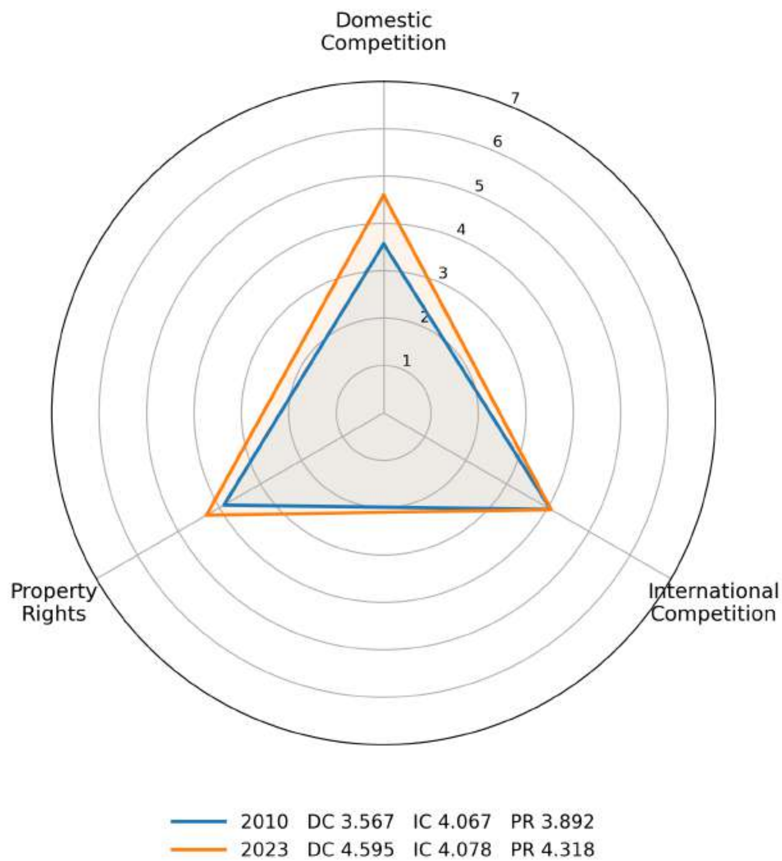
15 The pattern of improvement confirms the same point.

- **Domestic Competition**. India showed strong linear progress across domestic variables. Seven distinct weighted variables within the DC pillar produced linear R-squared values above 0.74, with several above 0.90. This indicates that the improvement was sustained across the period rather than a temporary statistical movement. The economic significance is straightforward: India's movement toward the frontier was driven above all by reforms that reduced internal friction and improved the conditions under which firms could enter, operate, and compete inside the domestic market.

- **Property Rights Protection**. India also improved in selected PR variables. The cost of enforcing contracts showed a perfectly linear improvement, with an R-squared value of 1.0. Intellectual property protection showed strong gains, with an R-squared value of 0.77. These improvements are consistent with the broader importance of contract enforcement, insolvency reform, and protection of intangible assets in supporting investment and enterprise. Some judicial independence variables remained flatter, so the PR picture is positive but uneven.
- **International Competition**. India's IC performance was more mixed. Customs-related indicators were more volatile, with customs producing an R-squared value of 0.38. Capital-controls-related variables, by contrast, showed a perfectly linear trajectory, with an R-squared value of 1.0. This pattern suggests that India made progress in some international-facing variables while retaining greater volatility in areas affecting customs performance and external contestability. That mixed IC picture matters for later analysis because India's next growth gains will depend partly on how foreign participation, cross-border trade, and international business models are treated.

Figures 1 & 2: India's Pillar-Level Movement 2010-2023





Figures 1 and 2 show that India's 2010 to 2023 improvement was driven primarily by Domestic Competition, with a secondary improvement in Property Rights Protection and comparatively little movement in International Competition.

16 India's model performance is consistent with a series of major reforms that changed the domestic operating environment during the review period. These reforms do not explain every movement in the model, but they help account for the broad direction of India's improvement.

- **Goods and Services Tax**. The introduction of the Goods and Services Tax (GST) in 2017 changed the structure of India's domestic market. The World Trade Organization Secretariat reported that GST replaced, in most cases, the additional duty applied in place of excise duties and the special additional duty used to offset state and local taxes. It also explained that GST was intended to integrate the economy by amalgamating a large number of central and state taxes, reducing cascading effects, and harmonizing the tax system across India.[7] The Secretariat further noted that the previous tax regime, with multiple taxes and cascading effects, fragmented the country and contributed to additional logistics costs and higher

[7] World Trade Organization, Trade Policy Review: India. Report by the Secretariat, WT/TPR/S/403 (Geneva: World Trade Organization, November 25, 2020), paras. 3.40-3.42.

production costs.[8] In ACMD terms, GST is relevant to DC because it reduced internal market fragmentation and improved the conditions for domestic exchange.

- **Insolvency and Bankruptcy Code**. The Insolvency and Bankruptcy Code, 2016 (IBC) created a consolidated legal framework for insolvency resolution. The Code's stated purpose is to consolidate and amend the law relating to reorganization and insolvency resolution in a time-bound manner, maximize the value of assets, promote entrepreneurship, increase the availability of credit, and balance stakeholder interests.[9] This reform is relevant to PR because insolvency rules determine whether assets can be reallocated from failing or inefficient uses toward more productive activity. It also affects DC because a functioning insolvency framework disciplines firms and lenders, reduces capital lock-up, and supports entry by firms that can use assets more productively.
- **Business-environment reforms**. India's improvement is also reflected in the World Bank's Doing Business indicators. India ranked 142nd in Doing Business 2015 and later reached 63rd in Doing Business 2020.[10] The World Bank stated that India raised its ranking from 130 in Doing Business 2016 to 63 in Doing Business 2020, with reform efforts focused on paying taxes, trading across borders, and resolving insolvency.[11] The Doing Business 2020 report identified Indian reforms in starting a business, dealing with construction permits, trading across borders, and resolving insolvency.[12] These indicators are not a complete measure of domestic competition, but they capture important features of the same institutional environment reflected in the DC and PR pillars.
- **Trade facilitation and customs administration**. India also undertook trade-facilitation reforms relevant to IC. The WTO Secretariat reported that India reduced documentation requirements and automated customs clearance for imports and exports. It identified the Indian Customs Electronic Gateway (ICEGATE), the Single Window Interface for Facilitating Trade (SWIFT), the Authorized Economic Operator (AEO) program, Direct Port Delivery, Direct Port Entry, and increased use of the Risk Management System as trade-facilitation initiatives introduced since 2015.[13] The Secretariat further explained that SWIFT provides integrated risk assessment, automated routing, replacement of nine separate documents by an Integrated Declaration, and online clearances.[14] These reforms are relevant to IC because international competition depends on more than formal market access. It also depends on whether goods and firms can move through border and administrative processes without unnecessary delay or duplication.

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[8] WTO, Trade Policy Review: India. Report by the Secretariat, para. 3.43.
[9] Insolvency and Bankruptcy Code, 2016, No. 31 of 2016, preamble.
[10] World Bank, Doing Business Economy Profile 2015: India (Washington, DC: World Bank, 2014), 4; World Bank, Doing Business 2020: Comparing Business Regulation in 190 Economies (Washington, DC: World Bank, 2020), 4.
[11] World Bank, Doing Business 2020, 10.
[12] World Bank, Doing Business 2020, 103.
[13] WTO, Trade Policy Review: India. Report by the Secretariat, para. 9.
[14] WTO, Trade Policy Review: India. Report by the Secretariat, paras. 3.6-3.12.

17 India's domestic reform record therefore maps closely onto the model results. GST addressed internal fiscal fragmentation. The IBC strengthened insolvency and asset reallocation. Business-environment reforms reduced some of the administrative burdens affecting entry and operation. Trade-facilitation reforms improved aspects of border administration and the movement of goods. These reforms reduced the policy and institutional frictions that interfere with voluntary exchange.

18 India's own experience supplies the policy lesson for the rest of this report. Where India has reduced internal distortion, it has moved closer to the frontier. Where restrictions still limit contestability, market access, foreign participation, business-model flexibility, or competition-policy discipline, further gains remain available. The next stage of reform is therefore an extension of India's own successful domestic liberalization story, not a departure from it.

19 The same logic applies externally. India's growth opportunity is affected by distortions within India and by restrictive regulatory zones abroad. European Union regulatory measures, including sanitary and phytosanitary and technical barriers to trade, can operate as ACMD-type barriers for Indian exporters. A balanced India strategy must therefore address both sides of the problem: the barriers Indian firms face in foreign markets and the remaining domestic distortions that India can reduce at home.

PART II: Barriers Facing Indian Exporters

20 India's reform record gives it a stronger basis for challenging distortions that limit its exporters abroad. A country that has reduced domestic frictions has a direct interest in ensuring that foreign markets do not replace tariffs with regulatory barriers that produce the same exclusionary effect. For India, the most important example is the expansion of the European regulatory zone, particularly through sanitary and phytosanitary (SPS) rules, technical barriers to trade (TBT), carbon-related border measures, and related standards systems that condition market access on compliance with European regulatory preferences.

21 The European Union is a major market for India. In 2025, trade in goods between the European Union and India was worth €118 billion, representing 11.1 percent of India's total trade. The European Union was India's third-largest trading partner, while India was the European Union's ninth-largest trading partner. European Union imports from India were concentrated in chemicals, machinery and appliances, mineral products, textiles, and base metals.[15] This commercial relationship is therefore too large for regulatory frictions to be treated as peripheral. Where European rules operate as unnecessary or disproportionate barriers, they affect Indian exporters across sectors that matter to India's industrial and trade strategy.

[15] European Commission, "India," Trade and Economic Security.

22 Since negotiations for the EU-India Free Trade Agreement were concluded on 27 January 2026, the non-tariff dimension of the relationship has become more important, not less. Tariff reductions can improve formal access, but they do not resolve regulatory barriers that operate through SPS rules, TBT requirements, conformity assessment, pesticide residue limits, sustainability standards, or the EU Carbon Border Adjustment Mechanism. The European Commission states that the agreement would eliminate or reduce over 90 percent of tariffs, while separate reporting confirms that the agreement does not alter the application of CBAM. For India, the relevant question is therefore whether new tariff access is matched by genuine contestability behind the border.

23 The World Trade Organization (WTO) framework already recognizes the difference between legitimate regulation and disguised restriction. The SPS Agreement permits members to protect human, animal, and plant life or health, but requires SPS measures to be applied only to the extent necessary, based on scientific principles, and not maintained without sufficient scientific evidence.[16] The TBT Agreement similarly provides that technical regulations must not be prepared, adopted, or applied with the effect of creating unnecessary obstacles to international trade, and that they must not be more trade-restrictive than necessary to fulfil a legitimate objective.[17] These principles are consistent with the ACMD framework. Regulation may pursue legitimate public objectives. The ACMD issue is whether the measure preserves those objectives while limiting trade and competition no more than necessary.

24 European SPS and TBT measures matter for India because they can alter market access even where tariffs are reduced. A tariff concession has limited value if exporters cannot satisfy shifting residue limits, certification requirements, conformity assessment procedures, labelling rules, sustainability standards, or product-specific technical requirements that operate as practical barriers to entry. In ACMD terms, these measures can affect Indian exporters through three channels.

- **International Competition.** SPS and TBT measures can reduce the practical openness of the European market when they impose requirements that are more restrictive than necessary, depart from international standards without adequate justification, or create high compliance costs for exporters from third countries. In that situation, formal market access remains available, but actual contestability is impaired.
- **Domestic Competition in India.** Foreign regulatory barriers can also affect competition inside India. If only the largest Indian exporters can afford the testing, documentation, traceability, certification, and legal costs required to access the European market, smaller firms face a higher barrier to scale. Export opportunities

[16] Agreement on the Application of Sanitary and Phytosanitary Measures, art. 2.2, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, April 15, 1994.
[17] Agreement on Technical Barriers to Trade, art. 2.2, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, April 15, 1994.

then become concentrated among firms able to absorb fixed compliance costs, even where smaller producers could otherwise compete on price or quality.

- **Property Rights Protection.** Unpredictable or discretionary regulatory treatment can reduce the value of investments made to serve the European market. If market access depends on frequent regulatory changes, uncertain interpretation, or standards that shift without adequate transition periods, exporters face weaker investment certainty. That reduces the incentive to invest in facilities, technology, branding, and supply-chain upgrades oriented toward the European market.

25 India has already raised concerns in WTO fora about European pesticide residue policies, and the concern is part of a broader pattern of exporter objections to the European Union's SPS regime. WTO records identify India as one of the members raising concerns about EU Regulation No. 396/2005 on maximum residue levels (MRLs) in food and feed of plant and animal origin. India has also been listed among the members raising or maintaining concerns on EU pesticide MRL reductions, import tolerances, and endocrine-disruptor criteria. These concerns are not limited to one commodity or one active substance. They reflect a recurring objection that European rules can move away from risk-based assessment, depart from Codex or other international benchmarks, shorten transition periods, or use import conditions to project EU regulatory preferences into third-country production systems.[18]

26 The country record is substantial. In STC 382, concerning EU legislation on endocrine disruptors, the raising members included Argentina, Brazil, China, the Dominican Republic, Ecuador, Guatemala, India, Panama, Paraguay, Peru, and the United States, with more than 50 WTO members supporting the concern. In STC 448, concerning EU MRLs for several pesticides, the raising members included Brazil, China, Colombia, Costa Rica, Côte d'Ivoire, the Dominican Republic, Ecuador, Guatemala, India, Panama, Paraguay, Peru, and the United States, with more than 25 members supporting. In STC 534, concerning EU import tolerances for certain pesticides to achieve environmental outcomes in third countries, the raising members included Australia, Brazil, China, Colombia, Ecuador, India, and the United States, with more than 15 members supporting. In STC 549, China and India raised concerns about EU Regulation No. 396/2005 setting pesticide MRLs in food and feed, with support recorded from Argentina, Brazil, Canada, Colombia, Costa Rica, Guatemala, Israel, Paraguay, Uruguay, and other members. The policy issue is straightforward: food safety rules should protect consumers from unsafe residues in food. When residue limits

[18] World Trade Organization, "European Union - Regulation No. 396/2005 Setting Pesticide MRLs in Food and Feed of Plant and Animal Origin," Specific Trade Concern ID 549, WTO Trade Concerns Database; World Trade Organization, "European Union - EU Import Tolerances for Certain Pesticides to Achieve Environmental Outcomes in Third Countries," Specific Trade Concern ID 534, ePing SPS & TBT Platform; World Trade Organization, Committee on Sanitary and Phytosanitary Measures, Summary of the Meeting of 18-19 July 2019, G/SPS/R/95, September 12, 2019, paras. 4.31-4.49.

are used to project European production preferences into exporting countries, the measure can become a market-access condition that reaches beyond the food-safety objective.[19]

27 This risk is increasing because the European Union's regulatory model is expanding beyond the European Union itself. The most important immediate example is the United Kingdom. Under the UK-EU Common Understanding of May 2025, the United Kingdom and the European Commission agreed to work toward a Common Sanitary and Phytosanitary Area by way of a European Union-United Kingdom SPS Agreement. The proposed agreement would cover sanitary, phytosanitary, food safety, general consumer protection rules applicable to agrifood products, live animals, pesticides, organics, and marketing standards. It would require timely dynamic alignment of the rules applicable in Great Britain with relevant European Union rules, and would make the Court of Justice of the European Union the ultimate authority for questions of European Union law in the dispute-resolution structure.[20]

28 Dynamic SPS alignment would present a serious growth problem. The Growth Commission, a non-partisan group of thirteen international independent economists, estimates that aligning British SPS regulations with the European Union would likely cause a £15 billion hit to the UK economy, and that the EU's existing SPS rules already cost the EU-27 around €39 billion. The same analysis compares GDP per capita foregone in Western European economies from regulatory and property-rights barriers with the United States, showing the regulatory headroom the United Kingdom would surrender if it locked itself into the EU model. The Competere Foundation's April 2026 House of Lords submission makes the same point using the ACMD model. Alignment would remove the UK's ability to reduce ACMDs through pro-competitive SPS reform and would weaken the value of future trade negotiations because much of external trade policy depends on domestic regulatory settings.[21]

[19] World Trade Organization, Committee on Sanitary and Phytosanitary Measures, Overview regarding the level of implementation of the transparency provisions of the SPS Agreement and specific trade concerns, G/SPS/GEN/804/Rev.18 and G/SPS/GEN/204/Rev.26, February 18, 2026, 39-40; WTO, Summary of the Meeting of 18-19 July 2019, G/SPS/R/95, paras. 4.31-4.49.
[20] Cabinet Office, UK-EU Summit: Common Understanding (London: His Majesty's Government, May 19, 2025), paras. 23-32.
[21] Competere Foundation, *Response to House of Lords Call for Evidence on UK-EU Dynamic Alignment* (April 17, 2026), paras. 11-13; The Growth Commission, "Growth Commission Urges Ministers to Junk EU Alignment Plan that Could Cost £15 Billion," February 24, 2026.

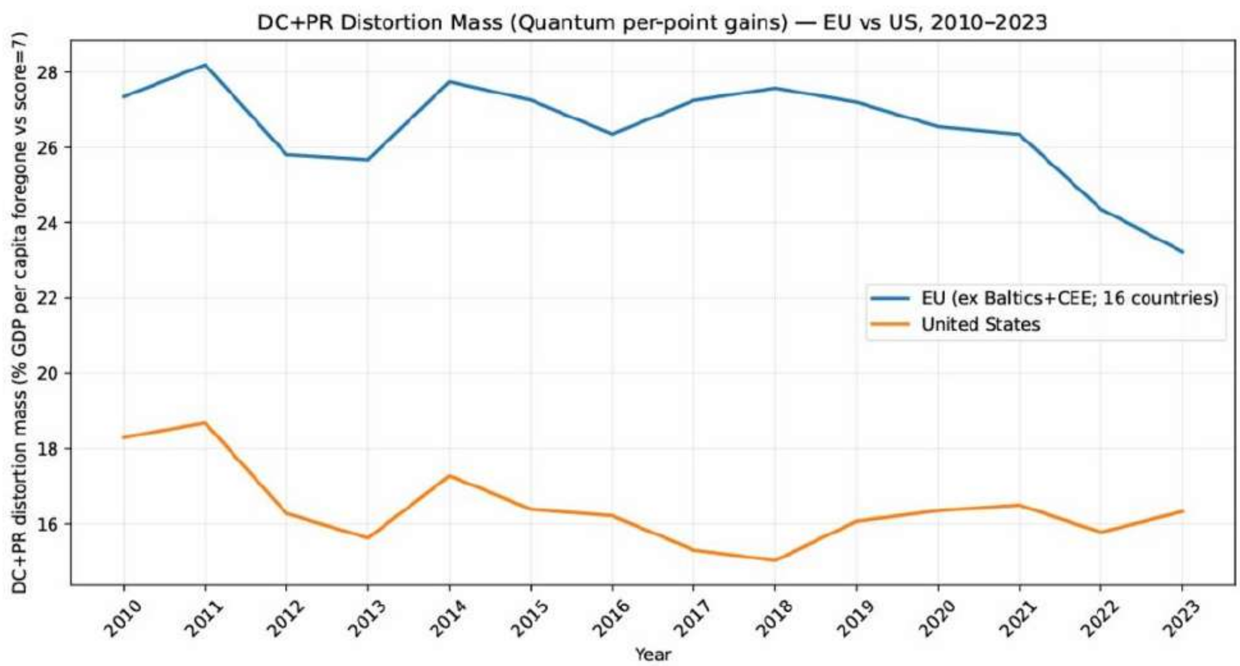

Figure 3 shows the GDP per capita foregone by Western European countries as a result of their regulatory and property rights barriers.

29 The Growth Commission's broader work shows why the dynamic-alignment problem is not confined to agriculture. Commissioner Douglas McWilliams's 2026 Spring Statement briefing identifies SPS alignment as an anti-growth own goal in the regulatory sphere and warns that handing regulatory control back to Brussels would prevent gains from pro-competitive regulation and damage external trade policy. The Growth Commission's March 2026 analysis extends the concern beyond SPS, estimating that adoption of EU energy, food, agricultural, and other regulatory policies, including potentially digital policies, would reduce UK GDP by 6 percent. This wider point is relevant to India because the United Kingdom's loss of regulatory autonomy would reduce the value of negotiating with the UK as a distinct market.[22] The Andersons Centre report for CropLife UK provides a narrower illustration of the compliance-cost channel. It examines the impact of Great Britain aligning its Plant Protection Product regime with EU rules and decisions and finds material crop-production losses even before competition effects are considered.[23]

30 The same mechanism has already been quantified for another UK trading partner. In its Section 301 submission, Competere applied the ACMD framework to the EU-derived SPS barriers that UK dynamic alignment would lock into the UK market. The submission estimated a central U.S. impact of approximately $27.4 billion in foregone exports and $33.8

[22] Douglas McWilliams, *2026 Spring Statement Briefing: Policies to Sustain the Cyclical Recovery* (London: The Growth Commission, February 26, 2026), 12; The Growth Commission, "Reeves Has 'Given Up on Growth' as Chancellor Extends Growth-Destroying Dynamic Alignment Approach Beyond SPS," March 17, 2026.

[23] The Andersons Centre, *Analysis of the Impact on UK Crop Production of GB Aligning with EU Rules and Decisions on Plant Protection Products*, prepared for CropLife UK (Melton Mowbray: The Andersons Centre, January 2026), executive summary and sections 5.1-5.2.

billion in foregone GDP, rising at the high end to approximately $58.7 billion in foregone exports, $72.6 billion in foregone GDP, and approximately 352,000 lost jobs. Those estimates are specific to the United States, but the same regulatory mechanism is relevant to other UK trading partners, including India. A distinct UK market that could otherwise support equivalence, mutual recognition, and risk-based regulatory cooperation would instead become part of a wider EU SPS regulatory zone.[24]

31 For India, the commercial implication is that, if implemented on the terms set out in the Common Understanding, Great Britain would become part of the EU's SPS regulatory zone for the covered measures. Since Brexit, the United Kingdom has been a distinct regulatory and trade-policy market. If Great Britain aligns dynamically with European Union SPS rules, Indian exporters would face substantially the same European rulebook in the United Kingdom for covered SPS measures that they face in the European Union. That would create additional market-access risk for Indian exporters and narrow the space for India and the United Kingdom to develop a more flexible SPS relationship based on equivalence, mutual recognition, risk assessment, and proportionality. Some of the practical value of the market-access benefits India bargained for in the UK-India FTA could be reduced if the United Kingdom no longer has independent regulatory control over the relevant SPS rules.[25] Most immediately, the application of the EU's strict import control regime which is hazard-based would be very different for India's exporters than the risk-based system the UK Department of the Environment, Food, and Rural Affairs (Defra) had developed as a result of the UK leaving the EU. The hazard-based EU system will entail far more checks and physical inspections of Indian goods at the border and limit the ability for Indian exports to be easily imported. The impact of this will be to pressure UK importers to realign supply chains, impacting products like rice, and tropical fruit.

32 The issue is especially important because the proposed UK-EU arrangement is not a static agreement on a fixed set of rules. Dynamic alignment would require Great Britain to keep pace with relevant EU SPS rules as they change. If India objects to those rules, its practical recourse against the United Kingdom would be limited because the relevant rules would no longer be within the UK's independent regulatory control. India and many other agricultural exporters have already raised concerns about the EU's SPS regime in WTO committees. The dispute-settlement record also shows that EU SPS regulation can exceed WTO limits. The Institute of Economic Affairs report Fertile Ground: Opportunities and Challenges for UK Agriculture notes that the EU has repeatedly lost SPS cases in the WTO, including the beef hormones and genetically modified organisms' disputes, and that the beef hormones Appellate Body found violations of Articles 3.1, 5.1, and 5.5 of the SPS Agreement.[26]

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[24] Shanker A. Singham, *Petition for Relief under Section 301 of the Trade Act of 1974, as Amended, In re Certain Policies and Practices Targeting U.S. Firms: Republic of Korea, India, European Union* (April 15, 2026), paras. 298-304.

[25] Cabinet Office, *UK-EU Summit: Common Understanding*, paras. 23-32.

[26] Shanker A. Singham, Fertile Ground: Opportunities and Challenges for UK Agriculture (London: Institute of Economic Affairs, April 2019), 28-29; Appellate Body Report, European Communities - Measures Concerning Meat and Meat Products (Hormones), WT/DS26/AB/R and WT/DS48/AB/R, January 16, 1998; Panel Report, European

33 India therefore has an interest in resisting the spread of dynamic alignment as a model for third-country trade relationships. Independent trading partners normally manage SPS and TBT differences through equivalence, mutual recognition, risk-based assessment, and regulatory cooperation. Those tools preserve regulatory autonomy while allowing products to move where different systems achieve comparable levels of protection. The IEA's Fertile Ground paper makes the same point in agricultural terms: SPS and TBT rules should not be used to erect unnecessary barriers to international trade and should be applied only to the extent necessary to achieve the stated regulatory goal. Dynamic alignment works differently. It requires one jurisdiction to follow the regulatory choices of another as they change over time. That may reduce friction between the aligned parties, but it can increase friction for third countries whose products, production methods, or agronomic conditions do not match the dominant rulebook.[27]

34 India has common cause with other agricultural and goods exporters. The WTO record shows that India's concerns are shared by a broad group of exporters, including the United States, Canada, Australia, New Zealand, Brazil, Argentina, Colombia, Costa Rica, Ecuador, Guatemala, Paraguay, Peru, Uruguay, and others, depending on the specific concern. These countries have raised, supported, or maintained concerns involving EU endocrine-disruptor criteria, pesticide MRLs, import tolerances, and hazard-based plant-protection regulation. India should not treat this as a Western agricultural issue. It is an Indian market-access issue. Indian exporters in agriculture, food products, chemicals, textiles, base metals, machinery, and other goods sectors face the same underlying problem: access to large markets becomes less meaningful when regulatory conditions protect domestic producers, impose unnecessary compliance costs, or shift standards without adequate scientific or risk-based justification.[28]

35 The adoption of EU SPS rules by the United Kingdom would also affect Indian exports to the UK by changing the framework within which UK import controls are applied. The United Kingdom had been developing a risk-based import-control model through the Border Target Operating Model, under which sanitary and phytosanitary controls are organized by risk category. Defra had also been examining trusted-trader approaches in SPS contexts. Dynamic alignment would eliminate the United Kingdom's ability to adapt those controls for Indian exporters where the relevant EU SPS rules apply as part of the common SPS area. The practical effect could be increased documentation, certification, and inspection burdens

Communities - Measures Affecting the Approval and Marketing of Biotech Products, WT/DS291/R, WT/DS292/R, and WT/DS293/R, September 29, 2006.

[27] Singham, Fertile Ground, 25-29, 56-58.

[28] WTO, Overview regarding the level of implementation of the transparency provisions of the SPS Agreement and specific trade concerns, G/SPS/GEN/804/Rev.18 and G/SPS/GEN/204/Rev.26, 39-40; WTO, Summary of the Meeting of 18-19 July 2019, G/SPS/R/95, paras. 4.31-4.49; WTO, "European Union - EU Import Tolerances for Certain Pesticides to Achieve Environmental Outcomes in Third Countries," Specific Trade Concern ID 534.

for Indian-origin goods relative to a UK-specific risk-based approach, while EU-origin goods benefit from the common SPS area.[29]

36 India's strategic position should rest on three principles.

- **First, India should insist that SPS and TBT measures remain tied to legitimate regulatory objectives and comply with WTO disciplines.** Where the European Union or any other trading partner adopts rules that restrict trade, India should ask whether the measure is based on science, whether it is proportionate, whether less trade-restrictive alternatives exist, whether relevant international standards have been considered, and whether exporters have a realistic ability to comply. The IEA's Fertile Ground paper frames the same discipline as a necessity test: agricultural SPS and TBT regulation should be the least trade-restrictive and least market-distortive measure consistent with a legitimate and clearly stated regulatory goal.[30]
- **Second, India should oppose the externalization of European regulatory preferences into third-country markets through dynamic alignment.** If Great Britain becomes part of the EU SPS regulatory zone for covered measures, Indian exporters may lose the practical value of a distinct UK market that could otherwise support equivalence, mutual recognition, and risk-based regulatory cooperation. India should make clear, in trade discussions with both the European Union and the United Kingdom, that reductions in EU-UK border friction should not be achieved by extending EU SPS barriers to third-country exporters. India also has leverage in implementation discussions because the United Kingdom secured commercially meaningful concessions from India, including on alcoholic beverages. India should make clear that the value of those concessions depends on the United Kingdom preserving a genuinely distinct and commercially usable route to the UK market for Indian exporters.[31]
- **Third, India should build coalitions around regulatory proportionality.** Cooperation with the United States, Canada, Australia, New Zealand, Argentina, Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Paraguay, Peru, Uruguay, and other exporters in WTO committees and bilateral dialogues would strengthen India's position and reduce the risk that these issues are treated as isolated exporter complaints rather than systemic concerns about science, proportionality, and market access.[32]

[29] HM Government, The Border Target Operating Model (London: Cabinet Office, August 2023); Cabinet Office, UK-EU Summit: Common Understanding (London: His Majesty's Government, May 19, 2025), paras. 23-32.
[30] Singham, Fertile Ground, 56-58.
[31] Cabinet Office, UK-EU Summit: Common Understanding (London: His Majesty's Government, May 19, 2025), paras. 23-32.
[32] WTO, Overview regarding the level of implementation of the transparency provisions of the SPS Agreement and specific trade concerns, G/SPS/GEN/804/Rev.18 and G/SPS/GEN/204/Rev.26, 39-40; WTO, Summary of the Meeting of 18-19 July 2019, G/SPS/R/95, paras. 4.31-4.49.

37 This approach is consistent with India’s domestic reform story. India has improved by reducing internal frictions and moving closer to the frontier of voluntary exchange. It should apply the same principle externally. Market access should be real, not merely formal. Regulatory systems should protect legitimate public interests without becoming instruments of exclusion. Trade agreements should reduce barriers at the border and behind it. India’s exporters will gain the most from a trading system that rewards competitiveness, productivity, and compliance with legitimate standards, rather than one in which access depends on adopting the regulatory preferences of the most restrictive market.

PART III: Remaining Frictions: Foreign Investment Restrictions and Competition Policy Drift

38 India’s domestic reform record has not carried through evenly to the rules governing foreign participation and digital competition. In several commercially important sectors, market access remains conditional. Foreign firms may enter only through specified routes, ownership caps, government approvals, sourcing requirements, investment obligations, security screening, or restrictions on permissible business models. These measures are often defended as instruments of self-reliance, small-business protection, security, or regulatory sovereignty. Those objectives can be legitimate. The ACMD question is whether the measure preserves those objectives while allowing competition on the merits, or whether it protects incumbents by weakening entry, scale, investment, and contestability.

39 The problem is not foreign-investment screening as such. Governments may screen sensitive investments, protect national security, and maintain prudential safeguards in sectors where public interests are directly implicated. The problem arises when screening becomes a general architecture of conditional market access. A framework that repeatedly limits ownership, approval routes, business models, procurement choices, and scale decisions can reduce the very competitive pressure that has supported India’s domestic reform success. It can also prevent Indian consumers and producers from receiving the full benefits of foreign capital, logistics systems, technology diffusion, and global business practices.

A. Foreign Investment Restrictions as a Structural ACMD

40 India’s foreign direct investment framework distinguishes between the automatic route and the government route. The automatic route permits investment without prior government approval, subject to applicable sectoral rules. The government route requires prior approval. India has liberalized many sectors, and the Department for Promotion of Industry and Internal Trade has emphasized that foreign direct investment up to 100 percent is permitted under the automatic route in most sectors.[33] The remaining restrictions therefore

[33] Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, Annual Report 2023-24 (New Delhi: DPIIT, 2024), 28.

matter most where they fall on sectors central to scale, logistics, communications, digital distribution, financial infrastructure, and consumer access.

41 Within the ACMD framework, foreign investment restrictions affect all three pillars.

- **International Competition**. Ownership caps, approval routes, inventory-model prohibitions, local sourcing requirements, and business-model restrictions reduce exposure to foreign competition. The domestic market remains open in a formal sense, but entry is conditioned in ways that limit the ability of foreign firms to compete at efficient scale.
- **Domestic Competition**. Restrictions on entry and business models reduce contestability inside the Indian market. Domestic incumbents face less pressure from firms that might otherwise bring new logistics systems, retail models, digital distribution tools, procurement methods, and consumer-facing services. Reduced contestability weakens incentives to lower costs, improve quality, and innovate.
- **Property Rights Protection**. Discretionary approval processes, beneficial-ownership screening, sector-specific conditions, and uncertain compliance requirements affect the predictability of market access. Investors discount the value of an opportunity when entry or expansion depends on case-by-case administrative decisions or conditions that can change after capital has been committed.

42 This does not mean that every sectoral limit is necessarily unjustified. It means that the economic cost of each limit must be made explicit. A policy that restricts entry or scale should be justified by a public objective commensurate with the loss of competitive pressure. Where the restriction protects existing business formats from more efficient foreign or hybrid models, it operates as an ACMD.

B. Retail and E-Commerce: The Clearest Market-Access Constraint

43 Retail and e-commerce remain the clearest examples of how India’s foreign-investment architecture can preserve domestic reform gains while limiting international contestability. The sector matters because retail is not simply a consumer-facing activity. It is also a logistics, payments, data, warehousing, procurement, and supply-chain system. Restrictions on retail and e-commerce therefore affect productivity well beyond the point of sale.

44 India permits 100 percent foreign direct investment under the automatic route in the marketplace model of e-commerce, while prohibiting foreign direct investment in the inventory-based model.[34] The policy defines the inventory-based model as one in which inventory of goods and services is owned by the e-commerce entity and sold directly to consumers. It defines the marketplace model as an information technology platform that

[34] Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, Consolidated FDI Policy Circular of 2020 (New Delhi: DPIIT, October 15, 2020), para. 5.2.15.2.3.

acts as a facilitator between buyer and seller.[35] This distinction matters economically. It prevents foreign-funded e-commerce firms from deploying an integrated retail model in which the platform controls inventory, procurement, pricing, warehousing, and fulfilment in a single consumer-facing structure.

45 The marketplace model is also subject to operational conditions. Press Note 2 of 2018 and the Consolidated FDI Policy provide that an e-commerce marketplace entity, or its group companies, may not exercise ownership or control over inventory. Inventory is deemed to be controlled by an e-commerce marketplace entity if more than 25 percent of a vendor's purchases are from the marketplace entity or its group companies. The rules also provide that e-commerce marketplace entities shall not directly or indirectly influence sale prices and must maintain a level playing field.[36] These restrictions are designed to prevent indirect inventory control, but they also limit the ability of foreign-funded platforms to use integrated procurement, preferred supplier structures, and pricing tools that may support lower costs and improved delivery performance.

46 Multi-brand retail trading is subject to a different but related set of constraints. Foreign direct investment is permitted up to 51 percent under the government route. The policy requires, among other conditions, a minimum investment of $100 million, at least 50 percent of the first tranche of foreign direct investment to be invested in back-end infrastructure within three years, and at least 30 percent of the value of procurement of manufactured or processed products to be sourced from Indian micro, small, and medium enterprises, village and cottage industries, artisans, and craftsmen.[37] The policy also provides that retail sales outlets may be set up only in states or union territories that have agreed, or agree in future, to allow foreign direct investment in multi-brand retail trading.[38]

47 These conditions raise several ACMD concerns.

- **They condition entry on business format**. Foreign-funded firms may operate through permitted structures, but the rules restrict the models through which they can compete. A retailer that has developed an integrated global model cannot simply enter India and compete through that model. It must conform to a regulatory architecture that separates marketplace facilitation from inventory ownership and limits the use of scale-based integration.
- **They raise the fixed cost of entry**. Minimum investment requirements, back-end infrastructure mandates, local sourcing obligations, and state-level gating increase the cost and complexity of entry. Larger firms may absorb these costs, but the requirements reduce the number of potential entrants and the range of business models available.

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[35] DPIIT, Consolidated FDI Policy Circular of 2020, para. 5.2.15.2.1.

[36] DPIIT, Consolidated FDI Policy Circular of 2020, para. 5.2.15.2.4; Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, Press Note No. 2 (2018 Series), "Review of Policy on Foreign Direct Investment in E-Commerce," December 26, 2018.

[37] DPIIT, Consolidated FDI Policy Circular of 2020, para. 5.2.15.4.2.

[38] DPIIT, Consolidated FDI Policy Circular of 2020, para. 5.2.15.4.3.

- **They reduce the disciplining effect of entry**. Contestable markets are shaped not only by actual entry, but also by the threat of entry. When foreign firms are limited in ownership, route, format, or scale, incumbents face less pressure to improve logistics, pricing, sourcing, consumer service, and digital integration.
- **They weaken technology and logistics diffusion**. Retail and e-commerce platforms are carriers of logistics know-how, procurement systems, inventory management, payments architecture, consumer analytics, and supplier-development systems. Business-model restrictions can slow the diffusion of those capabilities across the domestic economy.

48 India's wholesale cash-and-carry framework provides a more liberalized channel, with 100 percent foreign direct investment permitted under the automatic route.[39] But wholesale is not a substitute for full consumer-facing retail contestability. A business-to-business structure can support supply chains and procurement, but it does not provide the same competitive pressure on consumer-facing retail formats as direct participation in multi-brand retail or integrated e-commerce.

C. Other Sectoral Restrictions

49 The same pattern appears in other sectors. The sectoral details differ, and the public justification may be stronger in some areas than in others, but the economic mechanism is similar. Equity limits and approval requirements shape entry, scale, and investment certainty.

- **Media and news**. India's Consolidated FDI Policy limits foreign investment in newspapers and periodicals dealing with news and current affairs to 26 percent under the government route. It applies the same 26 percent cap and government route to publication of Indian editions of foreign magazines dealing with news and current affairs.[40] The policy also limits terrestrial broadcasting FM radio to 49 percent under the government route.[41] Media regulation can involve legitimate public-interest considerations, but hard equity ceilings and approval requirements also limit foreign participation and scale in information markets.
- **Civil aviation**. The WTO Secretariat reported that scheduled air transport services and domestic scheduled passenger airlines are subject to a 49 percent cap under the automatic route, with government approval required above that level.[42] Aviation is an infrastructure-intensive sector where foreign capital, management systems, and network integration can affect productivity and consumer welfare. Restrictions may be justified by sovereignty and security concerns, but their cost should be assessed against the competitive gains from greater participation.

[39] DPIIT, Consolidated FDI Policy Circular of 2020, para. 5.2.15.1.
[40] DPIIT, Consolidated FDI Policy Circular of 2020, paras. 5.2.8.1-5.2.8.2.
[41] DPIIT, Consolidated FDI Policy Circular of 2020, para. 5.2.7.2.1.
[42] World Trade Organization, Trade Policy Review: India. Report by the Secretariat, WT/TPR/S/403 (Geneva: World Trade Organization, November 25, 2020), table A2.1.

- **Banking and financial-market infrastructure**. India's Consolidated FDI Policy allows foreign investment in private-sector banking up to 74 percent, with the automatic route available up to 49 percent and government approval required beyond that level. Public-sector banks remain subject to a 20 percent ceiling under the government route.[43] USTR's 2026 National Trade Estimate Report also notes that foreign ownership of infrastructure companies in the securities markets, including stock exchanges, commodity exchanges, depositories, and clearing corporations, is limited to 49 percent.[44] Restrictions in financial-market infrastructure affect not only ownership, but also the channels through which capital is mobilized, priced, cleared, and allocated.
- **Defence and space**. India has liberalized parts of these sectors but retains approval thresholds and security conditions. The Consolidated FDI Policy permits foreign investment in the defence industry up to 74 percent under the automatic route, with government approval required beyond 74 percent where access to modern technology or other reasons justify it, and reserves the right to review any foreign investment affecting national security.[45] Space-related reforms have also moved toward greater foreign participation in specified activities, but the sector remains defined by activity-based thresholds and government oversight.[46] National security considerations are more direct in these sectors, but the ACMD discipline remains relevant. Restrictions should be tailored to the security interest and should avoid unnecessary limits on investment, technology diffusion, and industrial capability.
- **Other screening regimes** also affect the investment environment, including land-border and beneficial-ownership screening, private security agency restrictions, telecom security screening, and sector-specific insurance and financial-services rules. Some of these measures may be justified by security or prudential concerns, but they should be reviewed under the same discipline: whether the public objective can be achieved through clearer, narrower, and less competition-restrictive conditions.

50 These examples show a recurring structure. India has liberalized many parts of its investment regime, but a number of important sectors remain governed by conditional access. The policy issue is whether existing conditions are calibrated to legitimate public objectives or instead preserve incumbent protection at the expense of competition, productivity, and consumer welfare.

D. Competition Policy Drift in Digital Markets

51 India's competition policy framework presents a second source of friction. India has a legitimate interest in ensuring that digital markets remain contestable. Large platforms can

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[43] DPIIT, Consolidated FDI Policy Circular of 2020, para. 5.2.18.2.
[44] Office of the United States Trade Representative, 2026 National Trade Estimate Report on Foreign Trade Barriers (Washington, DC: Office of the United States Trade Representative, 2026), 268.
[45] DPIIT, Consolidated FDI Policy Circular of 2020, para. 5.2.6.2.
[46] Ministry of Finance, Government of India, Foreign Exchange Management (Non-Debt Instruments) (Third Amendment) Rules, 2024, Gazette of India, January 24, 2024.

raise complex issues involving data, app distribution, payments, self-preferencing, tying, interoperability, and access to consumers. The concern is that Indian competition policy may be moving from effects-based enforcement toward a more precautionary and ex ante model, particularly in digital markets.

52 The Competition Commission of India has already used Section 4 of the Competition Act to impose significant penalties and behavioural directions in digital platform cases. In October 2022, the Commission imposed a penalty of INR 1,337.76 crore on Google in relation to Android mobile devices.[47] The Commission also imposed a penalty of INR 936.44 crore on Google in relation to Google Play’s billing policies.[48] Digital platforms should remain subject to competition law where their conduct harms the competitive process. For ACMD purposes, the concern is that enforcement in fast-moving digital markets can become distortionary when it relies on static market assumptions, treats scale and integration as suspect without sufficient analysis of consumer harm, or imposes product-design and business-model remedies that reduce dynamic efficiency.

53 India’s proposed digital competition framework would deepen that risk if not carefully calibrated. The Committee on Digital Competition Law proposed a Draft Digital Competition Bill, 2024, built around designation of Systemically Significant Digital Enterprises and obligations applicable to Core Digital Services.[49] Such an approach resembles the European Union’s ex ante digital regulation more than traditional effects-based antitrust. It would impose obligations on designated firms before a full case-specific demonstration of harm in each market. That structure can reduce enforcement delay, but it also increases the risk of Type 1 error, particularly where the conduct being restricted may be efficiency-enhancing or beneficial to consumers.

54 The penalty framework also raises concerns. The Competition (Amendment) Act, 2023 amended the penalty provisions of the Competition Act, including by defining turnover for penalty purposes to include global turnover derived from all products and services by a person or enterprise.[50] The Competition Commission of India’s 2024 Monetary Penalty Guidelines implement a penalty framework that allows the Commission to consider global turnover in appropriate cases.[51] A global-turnover standard can increase deterrence, but it also increases the risk of disproportionate exposure where the alleged conduct concerns a narrower product line, service, or India-specific activity. For foreign firms operating across many markets and business lines, penalty exposure based on global turnover may weaken investment certainty and increase regulatory risk.

[47] Competition Commission of India, “CCI Imposes a Monetary Penalty of Rs. 1337.76 Crore on Google for Anti-Competitive Practices in Relation to Android Mobile Devices,” press release No. 55/2022-23, October 20, 2022.
[48] Competition Commission of India, “CCI Imposes Monetary Penalty on Google for Anti-Competitive Practices in Relation to Its Play Store Policies,” press release no. 56/2022, October 25, 2022.
[49] Committee on Digital Competition Law, Report of the Committee on Digital Competition Law (New Delhi: Ministry of Corporate Affairs, February 27, 2024), annex IV.
[50] Competition (Amendment) Act, 2023, No. 9 of 2023, sec. 20.
[51] Competition Commission of India, Competition Commission of India (Determination of Monetary Penalty) Guidelines, 2024, Gazette of India, March 6, 2024.

55 This creates an ACMD risk through each pillar.

- **Domestic Competition**. Ex ante obligations and broad behavioural remedies can alter the conditions of rivalry by restricting product integration, platform design, pricing structures, data use, or interoperability choices without a clear showing that the conduct reduces consumer welfare. This can protect competitors rather than competition, especially if remedies disable efficient features or scale economies.
- **International Competition**. The burden of digital competition enforcement may fall heavily on foreign platforms because they are more likely to meet global turnover, user, and scale thresholds. Even formally neutral rules can therefore operate as practical barriers to foreign participation in India's digital economy.
- **Property Rights Protection**. Expansive penalties, uncertain obligations, and product-design mandates affect the predictability and value of investments in intangible assets, data systems, software architecture, and platform ecosystems. A firm that cannot predict whether integration, scale, or monetization choices will be treated as abuse will discount the value of future investment.

56 Digital regulation should preserve the possibility of intervention where there is evidence of harm. It should also preserve the conditions that allow innovation, entry, and scale. A sound framework would remain anchored in demonstrable consumer harm, proportional remedies, due process, and explicit assessment of dynamic efficiency. That is particularly important in India because digital platforms are also infrastructure for small and medium-sized enterprises, exporters, service providers, creators, and consumers. Measures that weaken platform functionality or raise compliance costs can impose costs on the wider ecosystem.

E. The Growth Cost of Conditional Access

57 Foreign investment restrictions and competition-policy drift interact. FDI restrictions limit the ability of foreign firms to enter and scale through efficient business models. Competition-policy drift then increases regulatory exposure for the firms that do enter, especially where they operate digital platforms, integrated logistics systems, app stores, payments infrastructure, or marketplace services. Each channel weakens contestability. Together, they reduce the pressure on incumbents to improve and reduce the incentives for foreign and domestic firms to invest in new capabilities.

58 The costs fall on India first. Restrictions that reduce entry, scale, and investment also reduce productivity growth inside India. They limit consumer choice, slow technology diffusion, and preserve higher-cost structures. They also dilute the benefits of India's own domestic reform success. GST, insolvency reform, business-environment improvements, and customs modernization move India toward a more integrated and competitive market. Conditional access rules move in the opposite direction when they limit who can participate in that market and how they may compete.

59 The policy implication is direct. India can preserve legitimate public interests while reducing ACMD risk by applying the same reform discipline that drove its 2010 to 2023 improvement.

- Foreign investment screening should be targeted to specific public interests and should use clear criteria, defined timelines, and reasoned decisions.
- Sectoral caps should be reviewed where the public objective can be achieved through licensing, conduct rules, prudential safeguards, or security conditions rather than ownership ceilings.
- Retail and e-commerce rules should be assessed for their effect on logistics efficiency, consumer prices, supplier access, technology diffusion, and small-business participation.
- Digital competition enforcement should remain tied to evidence of consumer harm, competitive effects, and dynamic efficiency, with remedies limited to the conduct shown to cause harm.
- Penalty rules should preserve deterrence while ensuring proportionality between the violation, the affected market, and the penalty base.

60 India’s domestic liberalization shows that reform can be sequenced, politically managed, and economically meaningful. The remaining restrictions should be evaluated against that record. Where a rule protects a genuine public interest, it should be retained in the least competition-restrictive form available. Where it protects incumbency, restricts efficient entry, or weakens investment without a sufficient public benefit, it should be treated as part of the next ACMD reduction agenda.

Conclusion: India’s Next Growth Frontier

61 India’s 2010 to 2023 reform record shows that market-distortion reduction is already part of India’s growth story. The country moved substantially closer to the frontier of voluntary exchange by reducing domestic frictions, improving the conditions for entry and operation, strengthening parts of the property-rights environment, and making the domestic market more integrated. That progress is visible in the model results and in the policy record. It is also visible in the economic logic of India’s reform path: where domestic barriers were reduced, the conditions for investment, competition, productivity, and capital reallocation improved.

62 The next stage of reform should build on that record. India does not need to choose between national development and competitive markets. Its own experience shows that domestic liberalization, better legal frameworks, tax simplification, improved insolvency rules, and trade facilitation can support national growth while strengthening the ability of Indian firms to compete. The same logic should now be applied to the remaining areas where market access, foreign investment restrictions, business-model controls, and competition-policy drift continue to weaken contestability.

63 India also has a clear interest in resisting the spread of regulatory systems that restrict its exporters abroad. European Union sanitary and phytosanitary rules, technical barriers to trade, and the proposed extension of the European regulatory zone through United Kingdom dynamic alignment can reduce the value of market access for Indian producers. India should be at the centre of a coalition of economies that support science-based regulation, proportionality, mutual recognition, equivalence, and genuine contestability in export markets. A trading system that allows formal access while regulatory barriers close the market in practice does not serve India’s interests.

64 The largest remaining gains are within India’s own control. Competere Foundation estimates that foreign-investment restrictions and competition-policy drift impose a combined five-year economic loss of approximately $173.6 billion on the Indian economy. Of that total, foreign-investment restrictions account for approximately $127.2 billion, while competition-policy drift accounts for approximately $46.4 billion. These are not losses imposed primarily on foreign firms. They are losses to India’s own growth potential, because restrictions on entry, investment, business models, and dynamic competition reduce productivity inside India first.

65 The resulting policy discipline is straightforward. India should retain screening and regulation where genuine public interests require them, but in the least competition-restrictive form available. Sectoral caps, approval routes, sourcing mandates, business-model restrictions, and digital competition remedies should be reviewed against their effects on entry, investment, consumer welfare, productivity, and innovation. Competition enforcement should remain evidence-based, proportionate, and tied to demonstrable harm to the competitive process. Regulatory objectives should be pursued without insulating incumbents or preventing efficient firms from scaling.

66 India’s reform success gives it the credibility to lead on this agenda. It can argue abroad for open, science-based, and proportionate regulation because it has already shown at home that reducing distortions can improve economic performance. It can also unlock further domestic growth by applying the same discipline to the remaining restrictions that limit market contestability. The opportunity is not marginal. ACMD reduction can support higher GDP per capita, stronger investment, more competitive domestic firms, better consumer outcomes, and a more resilient Indian economy.

67 India’s next growth frontier lies in completing the reform logic it has already begun. The country has moved from a more fragmented and constrained domestic market toward a more integrated and competitive one. If India now reduces the remaining distortions identified in this report, while resisting new regulatory barriers abroad, it can strengthen its position as one of the central growth economies of the next decade.

Competere Foundation

The Competere Foundation for Trade and Competition Policy is a 501(c)(3) public charity that seeks to alleviate global poverty and advance human flourishing by promoting open trade, competitive markets, and strong property rights protection. Its work is grounded in the ACMD framework, which assesses how policy and regulatory choices affect productivity, GDP per capita, and long-term prosperity through the interdependent pillars of domestic competition, international competition, and property rights. The Foundation conducts policy research, educates policymakers and the public, develops practical reform proposals, and produces analytical tools designed to identify and measure the distortions that restrict voluntary exchange, investment, innovation, and wealth creation.

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