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## THE DIGITAL SOVEREIGN: INDIA'S STRATEGIC EVOLUTION IN THE GLOBAL TRADE ORDER – STRUCTURAL TRANSFORMATIONS, REGULATORY ARCHITECTURE, AND ECONOMIC STATECRAFT (2025)

~ *Rashmi Bhushan*

### Abstract

*As the worldwide economic order promotes a fundamental restructuring emerged with the aid of digitalization and the fracturing in accordance with deliver chains, India is aggressively pivoting from its earlier function as a service-exporting "returned workplace" to a sovereign architect of digital change. This article offers an exhaustive, empirical evaluation of India's strategic transition into a virtual product and platform powerhouse, underpinned via statistics from the "State of India's Digital Economy (SIDE) Report 2025." It critically examines the operationalization of the Digital Personal Data Protection (DPDP) regime in November 2025, the strategic removal of the Equalization Levy in April 2025, and the landmark India-UK Comprehensive Economic and Trade Agreement (CETA) signed in July 2025. By comparing the efficacy of India's "Digital Public Infrastructure" (DPI) international relations-exemplified by means of the newly released TRUST initiative with the USA-and its "sovereign flexible" approach to facts governance, this paper argues that India is effectively carving a "0.33 manner" in global digital trade. This model, wonderful from America laissez-faire method and China's state-surveillance version, positions India to seize a significant share of the projected US\$ 1 trillion digital financial system through 2030, regardless of persistent structural bottlenecks in fib erization and excessive-give up talents.*

### I. Introduction: The Macroeconomic Canvas of a Digital Powerhouse

The dynamics of the Indian economy in the third decade of the twenty-first century are being fundamentally rewritten by the forces of digitization. No longer content with the designation of a passive node in global value chains- a designation earned through the outsourcing boom of the 1990s and 2000s- India has emerged as the primary architect of the digital economy. This change is not only regional but structural, affecting the composition of the country's gross domestic product (GDP), the nature of cross-border relations and its diplomatic position in the multilateral trading order. As the world's 5<sup>th</sup> largest economy moves toward a target value of \$5 trillion, digital commerce has grown as a critical accelerator, transforming manufacturing, tertiary sector, services and governance into a coherent, tech-led growth engine.

### A. The Scale of the Revolution: Empirical Evidence from 2025

The scale of this digital revolution is staggering in scope and ambition. According to the State of India's Digital Economy (SIDE) report 2025, written by the Indian Council of International Economic Relations Research (ICRIER), India has cemented its position as the world's third largest digitized country in terms of total economic scale, behind only tech giants like the US and China. The ranking is not a function of instant market sentiment, but based on the harsh realities of infrastructure: India has the world's second-largest mobile and internet networks, a demographic dividend of digital natives, and a spending class increasingly comfortable with digital-first transactions.<sup>1</sup>

The financial empiricism helping this narrative is robust. Projections indicate that the Indian digital financial system is increasing at a pace about two times that of the general country wide economic system. By the 12 months 2029, virtual change and its allied sectors are expected to constitute nearly 20% of India's GDP, fundamentally changing the united states of America's financial profile. In absolute economic terms, estimates advocate that by using 2030, virtual alternate may want to free up financial possibilities exceeding ₹3,331 thousand crores (about US\$ 400 billion), developing a new paradigm of wealth era this is less reliant on conventional heavy industry and extra depending on intellectual belongings, data flows, and platform economics.

Furthermore, the Strategic Review 2025 by NASSCOM estimates that the revenue of India's era enterprise reached US\$ 283 billion in FY2025, with exports accounting for a vast portion of this price-approximately US\$ 204.7 billion. This growth is more and more driven by "New Tech"-Artificial Intelligence (AI), Big Data Analytics, and Cloud Computing-instead of conventional utility upkeep.

## **B. The CHIPS Framework and the "Depth" Paradox**

However, this macroeconomic optimism is nuanced with the aid of structural dichotomies. The SIDE Report 2025 makes use of the "CHIPS" framework-Connect, Harness, Innovate, Protect, Sustain -to benchmark India's development against the G20.

- **Aggregate Strength:** India ranks an outstanding third inside the "Economy" pillar, reflecting the sheer quantity of transactions (maximum globally), the size of the marketplace, and the total wide variety of internet customers.
- **Per-Capita Weakness:** In sharp evaluation, India ranks 28th inside the "User" pillar. This sharp divergence highlights a chronic "digital divide" in which the combination power of the economic system masks the modest level of digitalization available to the common consumer.

This gap provides the crucial paradox of Indian digital change: the nation is a worldwide export powerhouse in high-cease technology services at the same time as concurrently grappling with the developmental assignment of deepening domestic digital inclusion. Addressing this

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<sup>1</sup> State of India's Digital Economy (SIDE) report, 2025 (2025) ICRIER. Available at: <https://icrier.org/publications/state-of-indias-digital-economy-side-report-2025/>. (Accessed: 04 December 2025).

dichotomy is the imperative goal of India's new digital exchange coverage structure, which seeks to leverage export increase to fund domestic digital infrastructure.<sup>2</sup>

## II. The Legislative Sovereign: Data Protection and Regulatory Architecture

For decades, India's virtual alternate atmosphere operated in a rather laissez-faire regulatory environment, ruled generally via the getting old Information Technology Act, 2000. However, the explosion of statistics as a vital financial asset necessitated a cutting-edge, sturdy, and globally like-minded legal framework. This necessity culminated inside the operationalization of a brand-new legal regime in overdue 2025, designed to balance "virtual sovereignty"- the kingdom's right to control its data and digital borders-with the necessity of "worldwide integration."

### A. The Digital Personal Data Protection Act, 2023

he cornerstone of this new regime is the Digital Personal Data Protection Act, 2023 (DPDP Act), which received presidential assent in August 2023 but saw its complete regulatory equipment come into pressure in late 2025. The Act represents India's extraordinary method to information privacy, diverging appreciably from the prescriptive, rights-heavy General Data Protection Regulation (GDPR) of the European Union.

From a alternate perspective, the maximum contentious and essential thing of the Act is its treatment of pass-border statistics flows. Earlier iterations of the invoice (2018, 2019) had proposed stringent statistics localization measures, requiring copies of touchy data to be stored solely inside Indian territory. Such measures were considered with the aid of global exchange partners and multinational corporations as big non-tariff obstacles.

The final act, however, adopts a greater liberal and change-friendly mechanism. Section sixteen of the DPDP Act permits the transfer of personal information for processing to any country or territory outdoor India, except the ones explicitly constrained via the Central Government thru notification. This "poor listing" or "blacklisting" approach is a essential shift from the "whitelisting" approach used in the GDPR, where transfers are prohibited except a rustic is deemed adequate. By assuming openness because the default, India has signalled its cause to stay a hub for international data processing and virtual services.<sup>3</sup>

### B. Operationalizing the Law: The 2025 Rules

The statutory framework was fully operationalized with the notification of the **Digital Personal Data Protection Rules, 2025** on 14 November 2025. These rules proclaims a detailed description required for regulatory compliance, covering aspects such as registration of consent officers, the functioning of the Data Protection Board of India and specific protocols for data breach notifications.

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<sup>2</sup> *Exports Of Software Services By Indian Companies Up By 7.3%*. Available at: <https://www.fintechbiznews.com/business-exim/exports-of-software-services-by-indian-companies-up-by-73-> (Accessed: 04 December 2025).

<sup>3</sup> *Digital Economy, International Trade Administration | Trade.gov*. Available at: <https://www.trade.gov/country-commercial-guides/india-digital-economy> (Accessed: 04 December 2025).

Key trade implications of the 2025 rules:

- 1. Consent Managers as Exportable Technology:** The rules introduce the concept of “consent managers” – intermediaries in a order that provide a user with the ability to provide, manage, review and withdraw consent. This architecture creates a special category of service export, as Indian consent management platforms can potentially offer their services at global markets while leveraging interoperable standards developed in India.
- 2. Significant Data Fiduciaries (SDF):** The rules impose strict security measures for "critical data fiduciaries" that affect large platforms such as social media giants and e-commerce marketplaces. While this increases the compliance burden, it also increases the trust premium for Indian digital services at global level.
- 3. Clarity on cross-border transfers:** While the rules confirmed the negative list approach, they also made it clear that sector-specific localization mandates (such as the Reserve Bank of India's requirement to store payment data locally) would override the general transparency of the DPDP Act. This creates a "two-speed" business environment: open for general services, restricted for critical financial and health data.

### C. Fiscal Harmonization: Scrapping the "Google Tax"

In a prime concession to worldwide exchange norms and to de-enhance exchange tensions with the United States, India eliminated the two% **Equalization Levy** (often dubbed the "Google Tax") on non-resident e-commerce operators, effective **April 1, 2025**.

This levy, brought in 2020, have been a sizeable irritant in India-US exchange family members, with the United States Trade Representative (USTR) threatening retaliatory price lists. Its removal signals India's alignment with the OECD's Pillar One framework for taxing the virtual economy, prioritizing a consensus-primarily based worldwide tax answer over unilateral revenue generation measures. This flow has notably stepped forward the funding climate for global tech giants like Amazon, Google, and Meta, encouraging them to deepen their supply chain integration in India.<sup>4</sup>

### D. Digital Competition and Antitrust Regulation

In parallel with data protection, India is reshaping its competition laws to approach the different conflicts and issues regarding the digital economy. The Competition Commission of India (CCI) has taken big steps against alleged abuse of dominance by 'Big Tech' companies. In 2024 and 2025, the CCI delivered landmark judgments regarding billing guidelines for app stores. For instances, in the Google Play Store case, the CCI investigated the mandatory use of proprietary billing systems for in-app purchases. The regulator's aspects distinguishes between legitimate business practices and anticompetitive conflicts.

To approach this scrutiny, the government enacted a Digital Competition Bill, which was under advanced consultation at the end of this year (2025). It seeks to designate "systemically

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<sup>4</sup> *Data protection laws in India - Data Protection Laws of the World*. Available at: <https://www.dlapiperdataprotection.com/?t=law&c=IN> (Accessed: 04 December 2025).

Significant digital enterprises" (SSDEs) and proactively ban categories such as self-preference and bundling, mirroring the EU's digital markets. For international digital e-commerce and commerce, this signal signifies a tougher regular compliance environment for global mega caps in India, potentially approaching at the marketplace for under state startups to compete and eventually export their own platforms globally.<sup>5</sup>

### **III. Trade Policy and Facilitation: The 2023-2025 Framework**

While the DPD Act regulates the facts and issues underlying the exchange, the Foreign Trade Policy (FTP) 2023 regulates the compliance of flow of digital goods and offerings. Announced by the Directorate General for Foreign Trade (DGFT), this coverage broke new market by clearly identifying "cross-border trade in the digital economy" as an area of concern.

#### **A. Export Centre for E-Commerce (ECEH)**

A centrepiece of FTP 2023, which was implemented in **February 2025**, is the established mandate for e-commerce export hubs (ECEH). The government diagnosed that the traditional customs infrastructure, designed for B2B container-sized shipments, had become undesirable due to the high volume and low value of B2C e-commerce exports. These centres function as special areas where export clearance is made more efficient. Key features include:

**1. Aggregated customs clearance:** Clearing thousands of small parcels through a single shipping bill has significantly reduced clerical work for MSME exporters.

**2. Reverse logistics:** Perhaps the most widespread innovation is the "re-import" facility. Worldwide e-commerce return fees can range from 20% to 30%. Earlier, re-uploading rejected goods to India incurred import duties, making the transaction unviable. ECEH coverage allows liability-free reimport of returns, solving a major problem for exporters of fashion, jewellery and handicrafts. By March 2025, pilot hubs were operational near Delhi and Bengaluru airports, managed with the help of non-public logistics giants such as DHL and ShipRocket, indicating a successful public-non-public partnership model.

#### **B. Democratizing Exports: Dak Ghar Niryat Kendras**

To ensure that the benefits of digital commerce are not limited to metropolitan cities and centres, the government has leveraged India's vast postal network. "Dak Ghar Niryat Kendras" (Post Office Export Centres) act as local export grounds. By integrating the Post Office's network with the Customs EDI system, a rural craftsman can now order export shipments at his local post office centres, developed and complete customs declaration digitally and ship the product at international level. This initiative approached the physical reach of the post office with the digital reach of the e-commerce platform, effectively bridging the first mile for Micro, Small, and Medium Enterprises (MSMEs).

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<sup>5</sup> Committee reports (2025) PRS Legislative Research. Available at: <https://prsindia.org/policy/report-summaries/digital-competition-law> (Accessed: 04 December 2025).

#### IV. The Infrastructure of Sovereign Trade: Digital Public Infrastructure (DPI)

India's most different and developed contribution to the global digital trade perspective is the idea of Digital Public Infrastructure (DPI) as an exportable grounds of resource. Unlike the private "walled gardens" of Western tech giants or the state surveillance model of authoritarian rule, India has pioneered the "third way": open standards, interoperable and publicly managed digital railways.

##### A. The "India Stack" as a Global Commodity

- **The "India Stack":** comprising Aadhaar (identity), Unified Payments Interface (UPI), and the Data Empowerment and Protection Architecture (DEPA)-has transitioned from a home governance tool to a strategic export.
- **UPI goes global:** Unified Payments Interface (UPI) has become the leader of India's digital diplomacy. By mid-2025, UPI links were operational in seven countries, including **France, UAE, Singapore, Sri Lanka and Mauritius.**
- **Strategic impact:** Integration of India's UPI with Singapore's PayNow enables real-time, low-cost cross-border money transfers. It reduces the friction and cost of trade settlement, especially for the gig economy and small businesses, and effectively acts as a free trade agreement for digital payments.
- **Symbolism:** The launch of UPI at the Eiffel Tower in France symbolizes the acceptance of Indian financial technology in highly regulated European markets, paving the way for its widespread adoption across the EU.

##### B. The TRUST Initiative: India-US Strategic Alignment

In February 2025, the India-US strategic partnership was strengthened through the launch of the **TRUST** (Transforming the Relationship Utilizing Strategic Technology) initiative, which succeeds the earlier initiative on Critical and Emerging Technologies (iCET).

The Trust initiative focuses and regulates in a way that strengthening India's role as a trusted geography for critical technologies. This explicitly integrates India's DPI into Western supply chains, facilitating collaboration on AI infrastructure, semiconductors, and high-performance computing. These aspects represent a geopolitical endorsement of India's digital architecture, positioning it as a "safe haven" for digital commerce at global level amid growing tech disruption between the US and China.<sup>6</sup>

#### V. Sectoral Frontiers: The Engines of Digital Export

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<sup>6</sup> Endresen, J. (2024) *India's unified payments interface has revolutionized its digital payments market*, Cornell SC Johnson. Available at: <https://business.cornell.edu/hub/2024/12/20/indias-unified-payments-interface-has-revolutionized-its-digital-payments-market/> (Accessed: 04 December 2025).

The structural reforms and infrastructure development described above have unleashed boom across unique verticals. India is witnessing a shift from "renting out hard work" (IT offerings) to "promoting intellectual property" (Products and Platforms).

### A. SaaS and the "Product Nation" Aspiration

The Software-as-a-Service (SaaS) quarter represents the maturation of the Indian tech industry. Indian SaaS firms are not simply price-powerful; they're category leaders in innovation.

- **Export Data:** Exports of software program services by Indian agencies have been envisioned to have reached **US\$ 204.7 billion in FY2024-25**, developing at 7.3% regardless of global financial headwinds.
- **Zoho Corporation:** A pioneer of the "transnational nearby" version, Zoho has demonstrated that international-elegance software can be constructed from rural India. With revenues crossing ₹11,300 crore in 2024, Zoho is predicated heavily on exports. Its model of establishing offices in rural districts (like Tenkasi) reduces overheads at the same time as distributing economic profits, growing a resilient export version, this is proof against the infrastructure bottlenecks of predominant towns.

### B. The Gaming Export Boom

Often overlooked, the gaming sector has been emerged as a high-growth export vertical sector. The **Game Developer Association of India (GDAI)** has set and ensures the ambitious target of US\$ 10 billion in gaming content export business by upcoming 2035.

- **Market Dynamics:** The domestic market, valued at US\$ 2.4 billion in FY25, serves as a testbed for developers in this sector. Indian studios are increasingly moving from "work-for-hire" (creating assets for global AAA titles) to developing the original Intellectual Property (IP) based on Indian mythology and culture, which has been reached to a receptive global audience.
- **Strategic Shift:** The export business of gaming content represents a move up the value chain, from service provision to IP creation, where margins and brand value are significantly higher.

### C. Telemedicine: "Heal by India"

The COVID-19 pandemic normalized the telehealth service, making telemedicine a viable cross-border service. The "Heal by India" initiative of the Government of India aims to position Indian doctors and medical professionals as global caregivers. Major hospital chains such as **Apollo Hospitals** have operated international telemedicine centres, offering remote consultation and teleradiology services to patients in Africa, Central Asia and the Middle East. This export of highly skilled services takes advantage of India's medical talent surplus and cost arbitrage across healthcare deficit service sectors.

#### **D. EdTech: Correction and Global Expansion**

While the home EdTech sector faced consolidation and governance challenges in 2024-25, players like **PhysicsWallah** have pivoted to a strong export version. In FY25, PhysicsWallah increased aggressively into the Middle East, leveraging low-value, exceptional content to serve the Indian diaspora and local students. This "hybrid" export grounds and the method-combining digital content with physical centres overseas-demonstrates the resilience of the world at different level.

### **VI. International Trade Diplomacy: Navigating a developed and Fragmented World**

India's virtual alternate approach involves a complex balancing act between multilateralism and bilateral deal-making.

#### **A. The UK-India CETA: A Template for the Future**

A landmark success in India's alternate diplomacy turned into the signing of the India-UK Comprehensive Economic and Trade Agreement (CETA) on July 24, 2025.

- **Chapter 12 (Digital Trade):** This bankruptcy is a watershed in Indian change coverage. It helps cross-border facts flows and stops unjustified records localization, while explicitly respecting India's sovereign proper to alter for public policy purposes. It consists of provisions for the recognition of digital documents, digital identities, and paperless trading, lowering transaction charges for groups in each international location.
- **Significance:** This agreement serves as a "template" for destiny deals, inclusive of the continued negotiations with the European Union, which aimed for conclusion via late 2025.

#### **B. The WTO and the Fiscal Sovereignty Battle**

At the World Trade Organization (WTO), India has been a vocal competition of the permanent moratorium on customs duties and services on electronic transmissions. India proclaims that as tangible goods and softwares (books, DVDs, software) are replaced by digital downloads and softwares, progressive nations lose critical tariff revenue.

- **MC13 Outcome:** At the event of 13th Ministerial Conference (MC13) in Abu Dhabi in 2024, India agreed to a temporary extension in accordance with the moratorium until **March 31, 2026**. However, India continues to build a coalition of the Global South to demand a review of this practice, asserting its "fiscal sovereignty" to tax digital imports just as it taxes physical ones. This remains a ground key flashpoint in global digital trade governance.

### **VII. Challenges and the Road Ahead**

Undeterred by the "Digital Pivot," India faces formidable structural bottlenecks that could arrest its momentum.

**Infrastructure Disparities:** The SIDE Report 2025 highlights that while mobile connectivity is ubiquitous, the "fiberization" of towers and home broadband penetration remains low compared to China or Vietnam. Mobile internet is sufficient for consumption (viewing content), but high-speed fiber is essential for production (coding, designing, hosting services). This infrastructure gap risks limiting the digital economy to a consumption-led rather than tech production-led model.

**Cybersecurity and Trust:** As digital trade volumes spike, so do cyber threats. The amendment to the **Telecommunication Cyber Security (TCS) Rules** in October 2025, which mandates continuous authentication and SIM binding for messaging apps, reflects the government's anxiety over cross-border fraud. While ensuring the security, such regulations raise risks and compliance costs and privacy concerns, potentially acting as friction points for global digital platforms operating in India.

**The Skills Paradox:** India produces millions of STEM graduates, yet the industry faces a chronic shortage of "deployable" talent in high-end domains like Artificial Intelligence (AI), cybersecurity, and semiconductor design. The incomprehension between academic curriculum and industry requirements compels firms to invest heavily in retraining, eroding the cost competitiveness of Indian exports.

## VIII. Conclusion

India's digital trade narrative has evolved from a story of labour arbitrage to one of innovation arbitrage and infrastructure diplomacy. By late 2025, the foundational pillars: legal (DPDP Act and Rules), physical (E-Commerce Export Hubs), and diplomatic (CETA, TRUST)-have been firmly developed and established. The nation is no longer just a participant in the global digital economy but a rule-maker and platform provider.

The successful operationalization of the DPDP regime and the "negative list" approach to data transfers demonstrates a mature regulatory capability that prioritizes economic pragmatism over protectionist impulses. Furthermore, the export of DPI like UPI and the signing of high-ambition trade deals like the India-UK CETA signal that India is ready to integrate deeply with the global digital order on its own terms.

However, realizing the US\$ 1 trillion digital economy goal by 2030 will depend on execution. The government must ensure that the "negative list" for data transfers remains narrow to maintain investor confidence, that the ex-ante competition rules do not stifle the very innovation they seek to protect, and that the physical fiber backbone is rapidly expanded to support the next generation of digital producers. If these balances are highly maintained, India's "Digital Bharat Paradigm" will not only secure its own economic future but offer a replicable blueprint for the developing world.