POLICY CONSENSUS CENTRE


# Policy Brief

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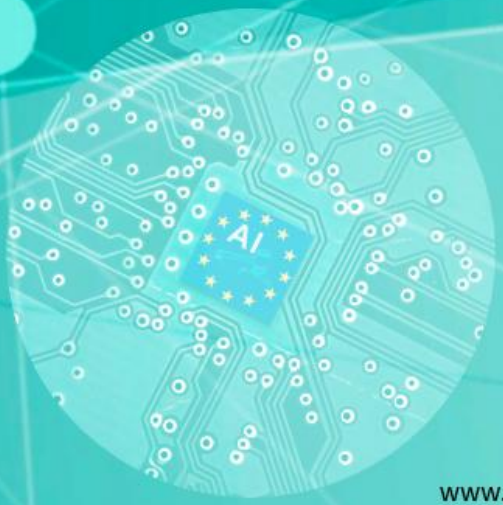
# Reciprocal Sharing of Data between India and the European Union: Opportunities for Mutual Learning and Collaboration in Shaping Future Digital Policies

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# List of Abbreviations

| | |
|---|---|
| AI | Artificial Intelligence |
| AIA | Artificial Intelligence Act |
| APIs | Application Programming Interfaces |
| CASPs | Crypto Asset Service Providers |
| CCI's | Competition Commission of India |
| DMA | Digital Markets Act |
| DPDP | Digital Personal Data Protection |
| DSA | Digital Services Act |
| eIDAS | electronic Identification, Authentication and Trust Services |
| e-KYC | electronic Know Your Customer |
| EU | European Union |
| GDPR | General Data Protection Regulation |
| HLEG | High-Level Expert Group |
| HSN | Harmonized System of Nomenclature |
| MEITY | Ministry of Electronics and Information Technology |
| MiCAR | Markets in Crypto Assets Regulation |
| MSMEs | Micro, Small, and Medium Enterprises |
| NIS | Network and Information Systems |
| NSAI | National Strategy for Artificial Intelligence |
| ONDC | Open Network for Digital Commerce |
| RAI | Regulation on Artificial Intelligence |
| RBI | Reserve Bank of India |
| UPI | Unified Payments Interface |
| VDAs | Virtual Digital Assets |

## 1. Introduction

For many years now, bilateral talks between India and the European Union (EU) have been stagnant. The recent talks have brought to the forefront the importance of this relationship not only in trade of goods and services but also in the realm of cooperation in the digital sphere. As both parties navigate the complexities of regulating emerging technologies, there is a growing recognition of the benefits of reciprocal sharing of data and best practices. This policy note aims to provide insights into the nature of bilateral learning between India and the EU to date and highlight potential areas for future collaboration. Mutual insights can inform effective future digital policies, particularly in emerging areas such as e-commerce regulation, crypto regulation, digital infrastructure development, and artificial intelligence (AI).

## 2. Background

India and the EU have a long history of cooperation in various fields, including trade, technology, and innovation. In recent years, they have engaged in several initiatives aimed at promoting digital cooperation, such as the India - EU Joint Declaration on Artificial Intelligence (2018) and the establishment of the India - EU ICT Dialogue (2015). These efforts have facilitated the exchange of ideas, expertise, and best practices in areas like data protection, cybersecurity, and digital governance. The EU's Horizon 2020 programme has also provided a framework for collaborative research and innovation between Indian and European researchers (European Commission, 2020).

Studies indicate that India has actively drawn from the EU's experiences in shaping digital policies. For instance, India's Personal Data Protection Bill (2019) drew inspiration from the EU's General Data Protection Regulation (GDPR) (Kumar & Singh, 2020). The GDPR's emphasis on data subject rights, data protection by design and default, and strict consent requirements has influenced India's approach to data protection. The EU's Directive on Security of Network and Information Systems (NIS Directive) has also informed India's efforts to develop a national cybersecurity framework (Ministry of Electronics and Information Technology, 2020).

In return, the EU has shown keen interest in India's innovative approaches to digital governance, most notably the India Stack initiative, which aims to create a unified digital identity framework for citizens. The India Stack initiative has been recognised globally as a benchmark for digital infrastructure development, providing a platform for various services such as authentication, payment, and document verification. The EU has been

closely monitoring India's rapid progress in building interoperable, secure, and large-scale digital architecture.

In fact, the EU's own electronic Identification, Authentication and Trust Services (eIDAS) regulation, which aims to create a pan-European electronic identification system, has drawn inspiration from India's Aadhaar programme. The EU is also keen to learn from India's experience in implementing digital payment systems, such as the Unified Payments Interface (UPI), which has enabled real-time transactions between bank accounts using a single identifier.

## 3. Areas of Collaboration

While there are several possible areas of collaborations between India and EU. Four areas particularly come to mind.

### 3.1 India Stack

India Stack, a comprehensive digital infrastructure, has revolutionised India's governance landscape since its inception in 2016. It is an innovative framework that leverages technology to provide citizens with seamless access to various public services, thereby enhancing the overall efficiency and transparency of governance.

India Stack is a set of open Application Programming Interfaces (APIs) that facilitate the integration of disparate government services and databases, enabling the creation of a unified digital platform. This platform allows citizens to access various services, including financial transactions, identity verification, and document authentication, through a single interface. The stack consists of four layers:

i. Aadhaar, a unique biometric-based identification system;
ii. electronic Know Your Customer (e-KYC), which enables electronic verification of identity and address;
iii. UPI, a real-time payment system; and
iv. DigiLocker, a cloud-based repository for storing and sharing documents.

India Stack has transformed the country's governance landscape by enhancing efficiency, improving transparency, and increasing accessibility.

The EU has taken note of India's success with its digital governance initiatives and is exploring ways to replicate similar models. As a first step, in 2020, the EU launched its

own digital identity framework, eIDAS (Electronic Identification, Authentication and Trust Services), which draws inspiration from India's Aadhaar system. The EU's eIDAS aims to provide a secure and interoperable digital identity solution for its citizens, facilitating seamless access to public services across member states.

Another example is France becoming the first European country to adopt UPI, integrating it with its own payment systems. This move was part of a broader effort to promote digital payments and reduce the reliance on cash transactions. The French government recognised the potential of UPI to enhance the efficiency and security of financial transactions, and its adoption has been seen as a significant step towards creating a more inclusive and digital economy.

As the EU continues to develop its digital infrastructure, it can draw valuable lessons from India's experience with India Stack, prioritising interoperability, scalability, citizen-centricity, public-private partnerships, and data protection. By doing so, the EU can create a more inclusive, efficient, and secure digital ecosystem for its citizens.

### 3.2 Regulating Digital Markets

The digital economy has fundamentally transformed the way businesses operate, interact with consumers, and compete. However, this transformation has also raised concerns about market dominance, data protection, and consumer welfare. The EU has responded to these challenges by introducing the Digital Markets Act (DMA) and the Digital Services Act (DSA), which aim to promote fair competition, protect consumer rights, and ensure data security. As India's digital market continues to grow, it will be beneficial to examine the EU's regulatory framework and its implications for India.

The DMA and DSA are two landmark regulations that aim to regulate digital markets in the EU. The DMA focuses on promoting fair competition in digital markets by imposing obligations on large digital platforms. These obligations focus on data portability, interoperability, non-discrimination, and transparency. The DSA, on the other hand, focuses on regulating online content and protecting consumer rights. It imposes obligations on online platforms to remove illegal content and protecting minors' rights.

The EU's regulations have had a significant impact on promoting competition, protecting consumer rights, and ensuring data security. For instance, it has helped in increasing competition by encouraging new entrants into the market, increasing competition, and innovation. It has also helped in improving data protection by

strengthening data protection laws and giving consumers more control over their choices. These regulations have arguably led to better content moderation and increased transparency in transactions.

India can learn from the EU's experience in regulating digital markets. For instance, India should adopt comprehensive regulations that address various aspects of digital markets, including competition, data protection, and consumer welfare. India could also consider imposing clear obligations on large platforms, such as data portability, interoperability, and non-discrimination.

Regulating digital markets is a complex task that requires a comprehensive approach. The EU's experience offers valuable lessons for India, including the importance of clear obligations, transparency, and accountability. While India's proposed regulations are a step in the right direction, they require further refinement to effectively promote competition, protect consumer rights, and ensure data security.

## 4. Crypto Regulations

The rapid proliferation of Virtual Digital Assets (VDAs) has necessitated a robust regulatory framework to ensure investor protection, financial stability, and mitigation of illicit activities. India, as a burgeoning hub for digital innovation, has been grappling with the complexities of regulating VDAs. This discourse aims to examine India's regulatory approach to VDAs and draw parallels with the EU's Markets in Crypto Assets Regulation (MiCAR), highlighting potential learnings for India.

The EU has taken a proactive stance in regulating VDAs through MiCAR, which came into effect in June 2021. MiCAR is a comprehensive regulatory framework developed in phases through extensive consultation with market experts and policy makers from different jurisdictions in the EU. MiCAR is being created by learning from on-the-ground experiences of crypto dealings and functioning in different jurisdictions of Europe. It has further subsumed many existing regulations of multiple regulatory bodies to form a comprehensive set of regulatory guidelines for the crypto market in EU. MiCAR provides a comprehensive framework for the regulation of crypto-assets, emphasising transparency, disclosure, and consumer protection. The regulation sets out clear guidelines for the authorisation and supervision of crypto asset service providers (CASPs), including exchanges, custodians, and wallet providers.

There are several lessons that India can draw from the EU's MiCAR framework. First, MiCAR establishes unambiguous definitions for different types of crypto assets, which

helps to eliminate regulatory uncertainty. India should consider adopting similar definitions to provide clarity on the regulatory treatment of various VDAs. Second, MiCAR adopts a risk-based approach to regulating crypto assets, focusing on the specific risks associated with each type of asset. India could benefit from a similar approach, tailoring its regulatory requirements to the unique characteristics of each VDA. Third, MiCAR's emphasis on authorisation and supervision of CASPs ensures that only reputable operators are allowed to provide services in the market. Fourth, MiCAR mandates CASPs to disclose detailed information about their operations, including risk management practices and asset storage arrangements. India should consider similar disclosure requirements to enhance investor protection and confidence.

India's regulatory approach to VDAs is yet to evolve. By drawing lessons from the EU's MiCAR framework, India can develop an effective regulatory framework that balances innovation with investor protection and financial stability. By establishing clear definitions, adopting a risk-based approach, enhancing disclosure and transparency, and fostering regulatory coordination, India can create a thriving environment for VDA innovation while mitigating associated risks.

## 5. Artificial Intelligence

The rapid proliferation of Artificial Intelligence (AI) has necessitated a concerted effort to establish robust regulatory frameworks that address its multifaceted implications. Both India and the EU have taken steps to regulate AI, albeit with differing approaches. This discourse aims to provide a comprehensive analysis of the current regulatory landscape in India and the EU, highlighting areas of convergence and divergence. Furthermore, it will explore potential avenues for collaboration and cooperation between the two entities.

India's AI regulatory framework is still in its nascent stages. The country has adopted a piecemeal approach, with various ministries and departments issuing guidelines and regulations specific to their domains. For instance, the Ministry of Electronics and Information Technology (MEITY) has established a committee to examine the feasibility of regulating AI, while the Reserve Bank of India (RBI) has issued guidelines on the use of AI in banking.

One notable initiative is the draft National Strategy for Artificial Intelligence (NSAI), which outlines India's vision for AI development and deployment. The NSAI emphasises the need for responsible AI development, ensuring that AI systems are

transparent, explainable, and fair. However, the strategy lacks concrete regulatory proposals, leaving much to be desired in terms of enforceable standards.

In contrast, the EU has taken a more comprehensive approach to regulating AI. The European Commission's High-Level Expert Group (HLEG) on Artificial Intelligence published a report in 2019 outlining a set of ethics guidelines for trustworthy AI. These guidelines emphasise the importance of transparency, accountability, and human oversight in AI decision-making processes.

Building upon these guidelines, the EU has proposed a Regulation on Artificial Intelligence (RAI), which aims to establish a harmonised regulatory framework across member states. The RAI introduces a risk-based approach, categorising AI applications into high-risk, medium-risk, and low-risk categories. High-risk applications, such as those used in healthcare or finance, would be subject to stricter requirements, including conformity assessments and certification.

A comparative analysis of India's and the EU's regulatory frameworks reveals several areas of divergences. The EU's RAI has a broader scope, encompassing all AI applications, whereas India's regulations are sector specific. The EU has adopted a risk-based approach, whereas India's framework is more fragmented. The EU's guidelines emphasise the importance of transparency and explainability in AI decision making processes, whereas India's NSAI only mentions these concepts in passing. The EU's RAI introduces a clear accountability framework, holding developers and deployers of AI systems responsible for any harm caused. India's regulations do not explicitly address accountability.

In terms of enforceability, India's NSAI and the EU's regulatory approach to AI exhibit both similarities and differences. On one hand, both frameworks emphasise the importance of establishing clear lines of authority and accountability for ensuring compliance with AI regulations. For instance, India's NSAI proposes the creation of a nodal agency to oversee AI development and deployment, while the EU's Artificial Intelligence Act (AIA) designates national competent authorities to enforce AI regulations. However, the EU's approach is more comprehensive, with a clear enforcement mechanism that includes fines of up to 6 per cent of global turnover for non-compliance. In contrast, India's NSAI does not specify penalties for non-compliance, leaving enforceability to the discretion of regulatory bodies. Furthermore, the EU's AIA also establishes a European Artificial Intelligence Board to provide guidance on implementation and enforcement, whereas India's framework lacks a similar centralised body. Overall, while both frameworks recognise the importance of

enforceability, the EU's approach is more robust and institutionalised, providing clearer mechanisms for ensuring compliance with AI regulations.

Given the similarities and differences between India's and the EU's regulatory frameworks, there are opportunities for collaboration and cooperation. India can learn from the EU's comprehensive approach to regulating AI, while the EU can benefit from India's experience in implementing sector-specific regulations. Collaboration on standards for transparency, explainability, and accountability can also go a long way to facilitate the development of globally accepted norms.

## 6. Scope and Summary of the Discussion

As the EU embarks on a new era of strategic engagement, as part of its wider bid to enhance competitiveness, deepening its partnership with India has become a key focus. Both the EU and India stand to benefit greatly from stronger ties. The EU views India as an increasingly important strategic partner, particularly in the context of future digital policies. India and the EU can foster a collaborative relationship through reciprocal knowledge sharing on key emerging and existing digital regulations, extending beyond data protection to encompass a broader range of areas that utilise digital technologies. By engaging in open dialogue and exchanging best practices, both parties can leverage each other's expertise to inform their respective regulatory frameworks in areas such as artificial intelligence, cybersecurity, e-commerce, digital payments, and online content moderation. The EU can share its experience in implementing initiatives like the EU's Artificial Intelligence Act, the Cybersecurity Act, and the Digital Markets Act, whilst India can offer insights into its own digital governance initiatives enabling both India and the EU to stay abreast of the rapidly evolving digital landscape. As India seeks to scale its presence in global markets, further alignment with international norms on openness and trade integration is critical, both jurisdictions can draw from each other's experiences.

In this context, the Policy Consensus Centre held a hybrid discussion on 5 March 2025. The seminar brought together panellists and a wide cross section of the audience to examine what India and the EU can learn from each other as both regions shape their digital trade policies. The discussion opened with a review of the EU's regulatory record, including the GDPR, the Digital Markets Act, the Digital Services Act and the AI Act. Empirical evidence on the GDPR was described as unfavourable, with academic studies finding no positive effect on competition or innovation, and concern was raised that early results from the Digital Markets Act may follow a similar pattern. Panellists argued that India should study the intent behind such regulation rather than

copy its form, given that India's start-up ecosystem, capital constraints, linguistic diversity and levels of digital literacy differ markedly from Europe's. Cultural context featured prominently, with privacy described as a relatively new concept in India and awareness of data rights described as low outside major cities.

The conversation then turned to what the EU could learn from India, including India Stack, UPI, Aadhaar and the account aggregator framework for financial data sharing, all cited as globally relevant models of open, scalable digital infrastructure. Audience contributions widened the discussion further, raising concerns about HSN code harmonisation and certification of origin for trade in goods, gaps in AI regulation for medical devices and manufacturing, the slow progress of Open Network for Digital Commerce (ONDC), and the exposure of farmers, women entrepreneurs and rural users to data theft and cyber fraud. Closing remarks converged on a shared view. Regulatory frameworks cannot simply be transplanted from one jurisdiction to another. India needs sustained, India specific research to inform policy, while also finding practical, near-term alignment with the EU to keep trade and investment flowing in the interim.

## 7. Outcomes of the Discussion

- There should be no wholesale copying of EU regulation. Both the GDPR and the proposed gatekeeper style regime need to be adapted to India's market structure, capital base and stage of digital development.
- Evidence on the GDPR's effect on competition and innovation is negative, and evidence on the Digital Markets Act is not yet available. This suggests caution before India commits to a similar ex-ante framework for large platforms.
- India's diversity, linguistic, cultural and economic, means uniform national rules can miss the realities of different states and communities. Policy needs room for localisation.
- India Stack, UPI and the account aggregator model were repeatedly cited as areas where the EU, and other jurisdictions, have genuine reason to learn from India.
- Physical trade barriers, particularly HSN code harmonisation and certification of origin across the EU's differing regulatory zones, are as significant to India-EU digital trade as data or platform regulation.
- Regulatory capacity requires long-term research funding. The comparison drawn with Indian language technology development illustrated how slow, underfunded research can leave regulation disconnected from ground realities.

- Concerns raised by the wider audience, covering farmers, women entrepreneurs, medical device manufacturers and MSMEs, showed that the impact of digital regulation reaches well beyond the policy and legal community in the room.
- There was broad agreement that short-term regulatory alignment, to keep trade moving, and long-term structural research should proceed together rather than one waiting for the other.

## 8. Recommendations

**Data Protection and Privacy**

- Work towards an EU adequacy decision for India alongside the roll-out of the Digital Personal Data Protection (DPDP) Act, 2023, to support smoother cross-border data flows.
- Invest in public literacy on data privacy, particularly outside major urban centres, before enforcement intensifies.
- Reconsider provisions that apply the same compliance standard regardless of data volume, given India's scale, and move towards more risk-based thresholds.
- Consider a voluntary self-certification mechanism, similar to the EU's approach, to give businesses clearer guidance on what counts as reasonable security.

**Regulation of Digital Markets**

- Hold off on a full gatekeeper-style regime until clearer evidence emerges on the impact of the EU's Digital Markets Act.
- Commission India-specific empirical studies on how ex-ante platform regulation would affect MSMEs, particularly their reliance on targeted advertising and single sign-on services.
- Recognise and build on the CCI's existing enforcement record rather than assuming new, untested instruments are needed.
- Anticipate that regulating very large platforms can push harmful content and practices onto smaller, less regulated platforms, and plan for that displacement.

**Crypto and Virtual Digital Assets**

- Narrow the definition of virtual digital assets so that low-risk, tokenised business activity is not regulated the same way as high-risk crypto trading.
- Move towards a risk-based approach that differentiates obligations by the nature of the asset, drawing on MiCAR's structure where relevant.

- Study self-regulatory models from Japan and dedicated regulatory approaches such as Dubai's alongside the EU experience.

**Artificial Intelligence**

- Address sector-specific gaps first, particularly the use of AI in medical devices and financial services, where EU, US and Indian frameworks all show gaps.
- Develop enforceable standards under the national AI strategy, moving beyond principle-level guidance.
- Fund India-specific research and datasets, including for Indian languages, to support AI development that reflects India's linguistic and regional diversity.

**India Stack and Digital Public Infrastructure**

- Position India Stack, UPI and the account aggregator framework as India's principal offer in India-EU digital cooperation.
- Support ONDC and similar public-good platforms in moving from infrastructure to functioning products, drawing on lessons from the delays experienced so far.
- Approach data-monetisation or data-trust models with caution, given the institutional capacity such models need to run well.

**Trade Facilitation and Manufacturing**

- Prioritise harmonisation of HSN codes and certification of origin standards across the EU's differing regulatory zones.
- Develop a digital green corridor for document verification to cut transit delays for goods trade between India and the EU.
- Extend regulatory harmonisation talks beyond crypto and AI to cover manufacturing, medical devices, life sciences and renewable energy.

**Research and Regulatory Capacity**

- Fund sustained, India-specific research ahead of finalising regulation, rather than adapting EU frameworks under time pressure.
- Direct research towards regional and demographic variation within India, not only the views of policy circles in major cities.
- Treat short-term regulatory alignment and long-term research as parallel tracks rather than sequential steps.

**Protection of Vulnerable Groups**

- Give focused attention to users who are digitally inexperienced and thus exposed to digital fraud and data misuse.
- Build region- and language-specific awareness campaigns on data privacy and digital safety, rather than relying on generic, translated messaging.
- Encourage grassroots and civil-society participation, in stakeholder consultations on digital policy.

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## About Policy Consensus Centre (PCC)

The Policy Consensus Centre (PCC), founded by Ms. Nirupama Soundararajan and Mr. Arindam Goswami, emerges with a distinct mission: to conduct impactful policy research and drive policy transformations. Our focus encompasses pivotal sectors crucial for India's advancement, along with those that have been underexplored. In the intricate landscape of India, divergent opinions often hinder consensus-building for policymakers amidst diverse stakeholders.

PCC stands dedicated to comprehensive, evidence-driven research, promoting inclusivity and rigor. Our objective resides in cultivating accord among stakeholders through independent, data-centric analysis, a catalyst for meaningful policy shifts. In a climate where some research entities avoid unconventional subjects, PCC remains resolute in advocating thorough exploration across all sectors. Our belief underscores the necessity to scrutinize seemingly unconventional domains, an approach vital for identifying accurate risks and formulating sound policies.

PCC champions the synergy of economic rationale and empirical data, pivotal in fostering consensus and enabling effective policymaker engagement. In essence, PCC embodies a pioneering spirit committed to navigating uncharted territories, propelling well-informed policy decisions for India's holistic growth.

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