Indian Economy · GS - III

Examine the regulatory challenges associated with cross-border mergers involving companies operating in strategically sensitive sectors such as space technology, defence and advanced manufacturing.

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MARKS	WORD LIMIT
10	~150 words

Answer Hint

Competition law, national security screening, foreign investment, regulatory jurisdiction, technology transfer, data protection, strategic autonomy, global investment environment.

Model Answer

Introduction

Cross-border mergers can promote investment, technological integration and economies of scale. However, when companies operate in strategically sensitive sectors, their consolidation raises concerns extending beyond conventional commercial regulation.

Major Regulatory Challenges

1. **Competition concerns:** Large mergers may reduce market competition, create dominant positions and restrict consumer choice or innovation.

2. **National security:** Foreign ownership or influence over space, defence and critical infrastructure companies may create risks relating to sensitive technologies and strategic assets.

3. **Regulatory jurisdiction:** A transaction involving multiple countries may require approvals from several competition and investment authorities, creating procedural complexity.

4. **Technology and data protection:** Transfer of intellectual property, satellite data and advanced technologies may raise export-control and cybersecurity concerns.

5. **Investment uncertainty:** Excessive regulatory restrictions can discourage capital formation and international technological collaboration.

Way Forward

Governments should adopt transparent merger-review frameworks, strengthen inter-agency coordination and conduct proportionate national security assessments. Safeguards for sensitive data and technologies must be balanced with predictable investment rules.

Conclusion

Effective regulation should reconcile competition, national security and innovation. A transparent, risk-based approach can protect strategic interests without unnecessarily obstructing global investment.

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