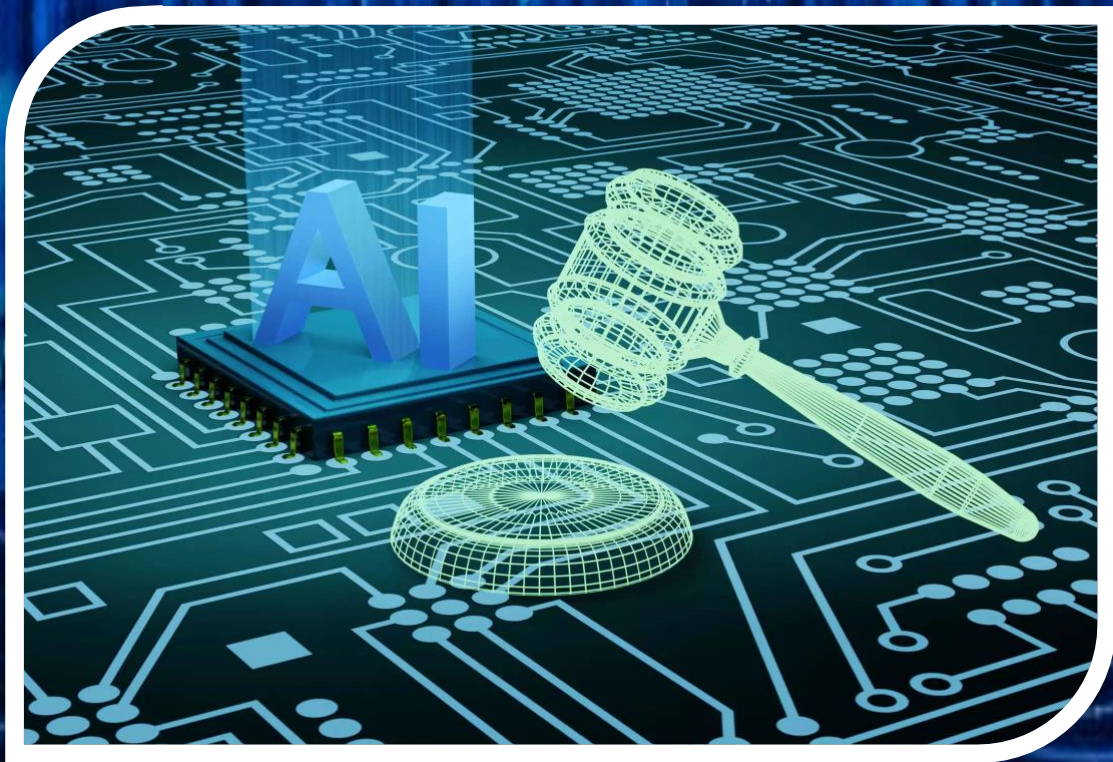


Artificial Intelligence and Competition Law

*– A Comparative Analysis of
Market Studies by India and Japan*



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Prepared by



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1. Introduction

It is no longer surprising that artificial intelligence (AI) has become one of the most influential technological and economic forces of this decade, with global investment exceeding US\$1.6tn between 2013 and 2024.¹

What makes this moment particularly significant is not just the scale of investment but how quickly AI has embedded itself across sectors such as healthcare, finance, logistics, and even everyday consumer centric services. In fact, recent estimates suggest that over 88 percent of firms are already experimenting with or deploying AI across at least one of their business functions.²

This rapid uptake is not just improving efficiency; it is quietly reshaping how markets operate and compete. What complicates matters further is the way AI systems are built and deployed. Unlike traditional technologies, AI relies on layered systems such as data, Graphic Processing Unit (GPUs), compute power, Large Language Model (LLMs), and applications, which are often controlled by a small number of firms. Further, the growing use of AI across industries has given rise to novel, increasingly complex questions for competition law authorities.

These concerns have not gone unnoticed. Competition authorities in major economies have moved, with varying degrees of urgency, to examine the intersection of AI and market power. In Asia, two jurisdictions stand out for their distinct yet instructive approaches: Competition Commission of India (CCI),³ which released its Market Study on Artificial Intelligence and Competition in October 2025, and Japan Fair Trade Commission (JFTC), which launched a market study on generative AI through a Discussion Paper in October 2024, followed by the Survey Report on the State of Generative AI version 1.0 in June 2025, and subsequently a significantly updated version 2.0 in April 2026.⁴

While both authorities identify substantially similar competition risks, including concentrated infrastructure, self-preferencing, tying, and algorithmic coordination, their regulatory philosophies, analytical methods, and proposed responses diverge significantly.

This paper undertakes a comparative analysis of these two market studies: both documents represent their respective jurisdictions' first comprehensive attempts to understand how AI reshapes competitive dynamics and what regulatory responses may be warranted. The JFTC study is characterised by an agile, iterative methodology with strong emphasis on market-layer analysis and direct Antimonopoly Act guidance. The CCI study, in significant deviation, takes a broader socioeconomic lens, emphasising

¹ <https://hai.stanford.edu/ai-index/2025-ai-index-report/economy>

² <https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai>

³ <https://www.cci.gov.in/economics-research/market-studies/details/45/0>

⁴ <https://www.jftc.go.jp/en/pressreleases/yearly-2025/June/250606.html>

India's developing-economy context, the application-layer concentration of Indian startups, and a light-touch self-regulatory framework.

Together, these studies offer rich cross-jurisdictional learning: the JFTC brings granular antitrust precision. In slight deviation, the CCI brings a developing-nation perspective, with a focus on structural infrastructure access and institutional capacity-building. Before we compare the market studies of the two jurisdictions, it is necessary to understand the distinct socio-economic conditions and market dynamics that shape the development and deployment of AI in each country, as these factors significantly influence their respective regulatory priorities and enforcement approaches.

2. The Structure of AI Markets: A Shared Framework

A prerequisite to any competition analysis is a thorough understanding of the market being examined. The AI market is certainly not static; among its defining characteristics is its dynamic, rapidly evolving nature, in which technological breakthroughs, shifting investment flows and regulatory developments can reshape the competitive landscape almost overnight. However, when examined comparatively, Japan's AI market emerges as notably more mature than India's. This distinction is rooted in several structural and non-structural dimensions, including industrial head start, decades of accumulated engineering expertise in robotics and hardware, cultural comfort with automation, digital maturity, and a geopolitical urgency around technological sovereignty.⁵

On the investment front, Japan has attracted large-scale commitments from global giants like Microsoft, AWS, Google etc alongside domestic giants like Fujitsu, NEC, and SoftBank, while simultaneously funding sovereign projects, such as the Fugaku NEXT supercomputer.⁶ In collaboration with RIKEN and NVIDIA. India has also attracted US\$20bn in AI investment commitments recorded in 2025 alone⁷ and transformative pledges from major tech platforms, such as Amazon, Microsoft and Google, signalling enormous confidence in its long-term potential, yet the country is still actively constructing the foundational compute and data infrastructure required to sustain these ambitions.

Japan's maturity is most evident in its depth of infrastructure: AI infrastructure spending has expanded sevenfold between 2022 and 2025, with projections to surpass US\$5.5bn in 2026 and 2028.⁸ It is expected to mark a historic milestone, as AI infrastructure spending will exceed non-AI infrastructure spending entirely.

That said, both nations are strongly focused on boosting innovation and investment in the AI sector. Authorities of both Japan and India see AI adoption and development as a key

⁵ <https://law.asia/ai-governance-framework-flexibility-good-design/#:~:text=Japan%20became%20the%20second%20major,well%2Destablished%20and%20confirmed%20law.>

⁶ <https://www.r-ccs.riken.jp/en/fugaku-next/>

⁷ <https://www.kotakneo.com/investing-guide/articles/india-ai-market-growth-analysis-2025/>

⁸ <https://www.idc.com/resource-center/blog/7x-growth-in-just-three-years-japans-ai-infrastructure-will-surge-past-5-5-billion-in-2026-idc-reveals/>

part of their economic growth strategies. In Japan, the government has introduced measures, such as the AI Promotion Act, Cabinet-level AI strategic councils, and institutional study groups, under the National AI Basic Plan.⁹ It is also investing heavily in sovereign AI infrastructure,¹⁰ through public-private partnerships (PPPs), aiming to invest over ¥10tn (~ US\$ 65.8 billion) by 2030, and to become a global leader in physical AI Robotics by 2040.

India has prioritised AI adoption through its ₹10,371 crore (~US\$1.24 billion) IndiaAI Mission, targeting over 38,000 GPUs via public-private partnerships, alongside the launch of National Dataset Platforms, AI Centres of Excellence, an AI Safety Institute, and formal AI Governance Guidelines.

Complementing this infrastructure push, India has deployed 'BHASHINI' for multilingual AI access and 'Bharat Gen' for AI-enabled public services, while establishing AI governance groups and hosting IndiaAI Impact Summits for advocacy and capacity-building. Together, these efforts reflect India's broader vision to build a frugal, sovereign, and scalable AI ecosystem for its 1.4 billion citizens.

Both nations recognise that leadership and investment in AI are no longer optional, but imperative to national growth, and are continuously channelling policy support, public funding, and international partnerships to accelerate innovation, bridge infrastructure gaps, and ensure their economies remain globally competitive in the AI-driven decade ahead.

However, the rapid pace of innovation in AI is accompanied by increasingly complex implications for market dynamics. The convergence of AI and antitrust/competition has emerged as a transnational competitive force, simultaneously influencing market structures across jurisdictions beyond traditional geographic constraints. What is particularly striking is how the competitive landscape can differ meaningfully across jurisdictions. In India, AI activity is largely concentrated in downstream applications, where almost 67 percent of firms build consumer-facing and enterprise solutions on top of existing models.¹¹

In contrast, Japan's ecosystem exhibits a relatively stronger upstream orientation, with greater emphasis on foundational technologies, infrastructure, and model development. This divergence is not merely descriptive; it is reflected in how each jurisdiction frames and approaches its AI and competition market study.

Against this backdrop, it becomes necessary to examine the underlying rationale for these market studies and the regulatory approaches that have emerged in response.

⁹ https://www8.cao.go.jp/cstp/ai/ai_plan/aipplan_eng_20260116.pdf

¹⁰ [https://introl.com/blog/japan-ai-infrastructure-135-billion-investment-2025#:~:text=Government%2Dcorporate%20\\$135B%20convergence%20creates%20Asia's%20quantum%2DAI%20po,erhouse.&text=Japan%20has%20emerged%20as%20Asia's,model%20for%20AI%20adoption%20globally.](https://introl.com/blog/japan-ai-infrastructure-135-billion-investment-2025#:~:text=Government%2Dcorporate%20$135B%20convergence%20creates%20Asia's%20quantum%2DAI%20po,erhouse.&text=Japan%20has%20emerged%20as%20Asia's,model%20for%20AI%20adoption%20globally.)

¹¹ <https://www.cci.gov.in/economics-research/market-studies/details/47/0>

3. Regulatory Rationale and Contemporary Approaches

Japan

JFTC launched its market inquiry into generative AI in mid-2024, publishing a formal Discussion Paper titled "Generative AI and Competition" in October 2024.¹² This was followed by a stakeholder consultation period that ran through November 2024, during which the JFTC received 712 comments and opinions from a wide range of participants. The Commission also conducted approximately 50 stakeholder interviews with domestic and foreign enterprises, experts, and overseas regulatory counterparts.¹³

In June 2025, the JFTC published the Survey Report on the State of Generative AI ver. 1.0, compiling its analysis in a targeted manner. The “ver.1.0” designation is itself significant: it signals the Commission’s deliberate intent to publish iterative, agile updates rather than a single comprehensive report, recognising that the AI market is too dynamic for a static study. The JFTC framed the exercise around three structural layers of the generative AI chain: the infrastructure layer, the model layer, and the application layer.

True to this agile commitment, the JFTC continued its fact-finding survey and, in April 2026, published the Survey Report on the State of Generative AI ver. 2.0. Ver. 2.0 incorporates approximately 30 additional stakeholder hearings with domestic and overseas businesses, experts, government ministries, and overseas authorities. It also makes three substantive additions to the ver. 1.0 framework: an updated overview of the generative AI-related market, a new section on the autonomous driving market as a “Physical AI” application domain, and a more granular reorganisation of antitrust issues, specifically restrictive conduct related to dedicated software on mobile operating systems and vertical integration of generative AI across digital ecosystems.

The JFTC's impetus for the study was twofold: first, to understand the actual conditions of an early-stage but rapidly growing market; and second, to equip itself with the analytical tools needed to apply the Antimonopoly Act (AMA) to AI-specific anticompetitive conduct. In doing so, the JFTC’s approach is not occurring in a regulatory vacuum. Rather, it is anchored in an evolving *ex ante* competition framework that can be adapted to emerging AI-related concerns.

Crucially, Japan already possesses a functioning *ex ante* competition framework, the Mobile Software Competition Act (MSCA), enacted in June 2024 and scheduled for full enforcement in December 2025,¹⁴ which provides a ready mechanism for addressing anticompetitive conduct in AI-adjacent markets. Although drafted before the current proliferation of generative AI, the MSCA contains provisions on interoperability, self-preferencing in search, app store access, and discrimination against third-party application developers that directly intersect with AI deployment concerns. The JFTC

¹² <https://www.jftc.go.jp/file/241002DiscussionPaperEN.pdf>

¹³ <https://www.jftc.go.jp/en/pressreleases/yearly-2025/June/250606.html>

¹⁴ <https://peopleofinternet.com/articles/japan-s-mobile-software-competition-act-goes-live-a-lighter-.html>.

has signalled its intent to apply MSCA provisions to AI-related use cases where appropriate, for instance, invoking Article 9's prohibition on search self-preferencing to address AI-generated results that promote a designated provider's own services.¹⁵

Japan's broader AI policy framework, as reflected in the Cabinet-approved AI Bill of February 2025 and the Interim Report of the AI Institutional Study Group, similarly demonstrates an approach which is distinct from the EU's hard-law approach. The government has opted for sector-specific reliance on existing legal frameworks, supplemented by soft-law guidelines for novel concerns, while preserving the option to regulate pre-emptively, if warranted.

India

The CCI authorised its Market Study on Artificial Intelligence and Competition in April 2024 and published the final report on October 06, 2025.¹⁶ The study was conducted through the Management Development Institute Society (MDIS). Unlike the JFTC's direct in-house survey, the CCI commissioned an external research institution to lead the inquiry.

India's AI ecosystem differs structurally from Japan's. Approximately two-thirds of Indian startups operate at the AI applications layer, the final stage before deployment, with only about three percent working on foundational model development, 10 percent on compute infrastructure, and 20 percent in the data layer. This means India's participation in AI is concentrated predominantly at the downstream end of the value chain, making the country highly dependent on a small number of upstream global infrastructure providers.¹⁷

The CCI study sought to accomplish three objectives: understanding AI market ecosystems, identifying emerging competition concerns, and reviewing the evolving regulatory frameworks governing AI systems.¹⁸ The study's release coincided with India's broader debate on the proposed Draft Digital Competition Bill (DCB) and the establishment of the Digital Markets Division (DMD) within the CCI in September 2024.

It is also relevant that India's broader digital competition framework remains under construction. The Committee on Digital Competition Law released a 2024 report proposing a Digital Competition Bill that would introduce *ex-ante* obligations on large digital enterprises. The CCI's AI market study feeds directly into this legislative process, and the Parliamentary Standing Committee on Finance noted in August 2025 that the CCI's AI market studies would be 'crucial for developing an evidence-based foundation for *ex-ante* regulation.'¹⁹

¹⁵ [https://awards.concurrences.com/docrestreint.api/pdf/japanese ai regulation and competition law - network law review.pdf](https://awards.concurrences.com/docrestreint.api/pdf/japanese_ai_regulation_and_competition_law_-_network_law_review.pdf)

¹⁶ <https://www.cci.gov.in/images/marketstudie/en/market-study-on-artificial-intelligence-and-competition1759752172.pdf>.

¹⁷ Id.

¹⁸ <https://www.promarket.org/2026/04/07/indias-ai-market-regulation-risks-falling-on-dated-ideas/>

¹⁹ https://sansad.in/getFile/lsscommittee/Finance/18_Finance_25.pdf?source=loksabhadocs.

4. Key Competition Concerns: A Comparative Analysis

Key Similarities

Concentration in Upstream Markets

Both authorities recognise that concentration and control in the upstream segment of the AI value chain, particularly in compute infrastructure and high-quality data, are characterised by the dominance of a few players. The CCI observes that the Indian AI startup ecosystem is 'largely present in the AI model layer but not in the upstream AI stack, which large multinational technology companies dominate.'²⁰ Entry barriers, including data availability, high infrastructure costs, and skilled labour shortages, compound this structural disadvantage for smaller firms.

The JFTC frames the same concern as a 'handful of large enterprises' occupying advantageous positions in acquiring GPUs and data necessary for the development of generative AI models, with the implication that restricted access to these inputs could foreclose new entrants from competitive participation.²¹ The analytical lens differs somewhat: the CCI treats concentration as a structural background condition and a barrier to market entry, whereas the JFTC is more explicitly oriented toward identifying the mechanisms through which concentration translates into competitive harm, treating access restrictions and exclusion as distinct competition concerns warranting scrutiny.

The April 2026 Ver. 2.0 JFTC report adds nuance to the infrastructure picture. While NVIDIA GPUs remain dominant in both training and inference, ver. 2.0 documents an accelerating trend: efforts by Google (Tensor Processing Unit, TPU), Amazon (Trainium), Microsoft, Meta, and OpenAI (through partnerships with Advanced Micro Devices and Broadcom) to develop or procure non-NVIDIA chips, with the potential to erode NVIDIA's market share over time.

At the same time, Ver. 2.0 notes that switching costs remain substantial once a chip architecture has been adopted, thereby reinforcing incumbency advantages. In the cloud layer, the three major providers, AWS, Microsoft Azure, and Google Cloud, are expected to maintain their dominant positions in Japan's AI cloud services market, given the capital-intensive nature of data centres.

Unilateral Exclusionary Conduct by Tech Giants

Both studies recognise self-preferencing as a competitive risk, but they diverge in their analytical framing: while the CCI focuses on unilateral algorithmic mechanisms such as pricing and ranking practices, the JFTC situates the concern within the structural dynamics of vertically integrated AI ecosystems.

According to one stakeholder comment in JFTC's 1.0 version of the report, companies are less likely to engage in overt self-preferencing because such content would be readily detectable in the market. Industry participants further emphasised that the observed

²⁰ Supra 16.

²¹ https://www.jftc.go.jp/file/260416_Summary.pdf

advantages of in-house services often stem from technical optimisation, in which AI models are designed to operate more efficiently within the firm’s own ecosystem. This results in lower integration costs and better performance for affiliated services, rather than deliberate exclusion of competitors. At the same time, the JFTC does not dismiss the issue entirely. It acknowledges that such optimisation may nonetheless produce *de facto* preferential outcomes, potentially disadvantaging rival services and raising concerns about competitive neutrality.

In both studies, authorities flag the risk that dominant providers may bundle AI tools into their existing services, thereby disadvantaging independent AI developers. The CCI highlights the integration of AI tools, such as Copilot and Gemini, into core products as potential examples of tying that could “reinforce Big tech’s dominance and create entry barriers for independent companies.”

The JFTC similarly identifies tying as a concern when a dominant provider of a service conditions the use of its own generative AI model on the provision of that service. Ver. 2.0 sharpens this analysis considerably by introducing two distinct anticompetitive scenarios.

The first concerns “restrictive conduct related to dedicated software on a mobile operating system”. A mobile OS provider that allows its own applications to access on-device generative AI features through dedicated software (APIs), while denying or degrading equivalent access for competing third-party applications, may constitute private monopolisation or interference with a competitor’s transactions under the Antimonopoly Act.

The second scenario involves the “act of integrating generative AI into existing digital services” or vertical integration, where a business with a prominent position in a digital services market (such as search, office suites, or cloud) integrates its own generative AI while simultaneously restricting API access to competing generative AI models. Such conduct may constitute exclusionary behaviour if it creates market foreclosure effects in the generative AI market.

Ver. 2.0 also explicitly notes that the JFTC had commenced an examination of suspected Antimonopoly Act violations by Microsoft Corporation and its affiliates relating to software licensing practices in cloud services, signalling a move from market study to active enforcement consideration – that examination subsequently matured into a formal investigation.

On March 04, 2026, the JFTC announced it had opened an investigation into Microsoft Corporation and its affiliates, including conducting an on-site inspection of Microsoft Japan Co., Ltd. The suspected conduct relates to trade terms governing the use of Microsoft software or services, including Windows Server, Windows Client, Microsoft SQL Server, Microsoft 365, and Visual Studio, when used on competitors' cloud services. Microsoft is suspected of either restricting the use of such services on competing cloud

platforms or modifying pricing terms to increase costs when the services are used with non-Azure cloud providers.²²

Both market studies identify these forms of exclusionary conduct as capable of producing adverse competitive effects.

Algorithmic Collusion

One of the most well-known concerns identified by both authorities is the risk of AI-enabled coordination among competitors, which the CCI has termed the 'novel risk of algorithmic collusion'. The CCI's study explains that AI algorithms blur the distinction between explicit and tacit collusion, as algorithms can independently learn to coordinate prices and monitor competitors' behaviour without direct human involvement. Approximately 37 percent of stakeholders surveyed identified algorithmic collusion as a risk, making it the most widely acknowledged competitive concern in the study.

The JFTC addresses a related concern under the heading of "parallel conduct using generative AI," observing that while AI-driven price surveys may intensify competition, the alignment of underlying datasets and algorithms across firms can lead to similar pricing strategies and production targets without explicit coordination. The latest version of JFTC's report explicitly highlights this issue.

Both authorities recognise that traditional cartel enforcement frameworks, built around detecting human communication and explicit agreement, are ill-suited to addressing collusion that arises from algorithmic feedback loops. Neither jurisdiction has yet developed a concrete enforcement response to this challenge. However, the CCI's self-audit framework at least recommends firms to conduct periodic reviews of algorithmic outputs to eliminate inadvertent collusion, offering a soft-law (self-regulation), innovation-friendly approach to governing algorithmic coordination. The key question, however, is whether firms will adhere to this recommendation?

Key Differences

Conducting Entity and Methodology

The JFTC conducted its study in-house with its staff, engaging directly with market participants through a structured comment process and personal interviews. The CCI outsourced the study to the MDIS, an external research institution. While this approach may have enhanced academic rigour and independence, it also means the study may lack the operational insights derived from a regulator's own market surveillance capabilities. The JFTC's direct engagement with 50 stakeholders, including overseas authorities, arguably yielded more granular, enforcement-relevant intelligence.

Market Positioning: Developed vs. Developing Economy

Japan's firms are present across both the upstream (model development and proprietary LLM creation) and downstream (AI application deployment and consumption) layers of

²² https://www.jftc.go.jp/en/about_jftc/index_3_260304.html

the AI value chain. India, however, is primarily in downstream layer, with its startups overwhelmingly concentrated at the deployment layer and limited presence in the foundational model and computing infrastructure layers. While the state has initiated efforts to build foundational model capacity through the IndiaAI Mission, these remain nascent and state-driven, with limited organic presence in the computing infrastructure layer

This structural difference shapes what each authority is most concerned about. The JFTC is focused on competition between Big Tech firms and the implications for Japan's own AI industry. The CCI, operating in a different market context, has recognised concentration in upstream markets and the barriers to entry that come with it. However, its relatively greater attention has been on the downstream layer, where concerns such as algorithmic coordination, unilateral conduct, network effects, and reduced consumer choice are most directly felt. The focus is also reflective of India's position as a large consumer-facing economy, where the immediate and tangible effects of AI concentration are felt most acutely at the deployment and end-user layer.

The JFTC study focuses heavily on horizontal concerns, such as parallel conduct, algorithmic pricing coordination, and talent acquisition, as well as concerns related with vertical integration like tying and self-preferencing. The CCI study, while addressing both, places relatively greater emphasis on vertical structural issues: the dependency of downstream Indian players on upstream foreign-controlled infrastructure. This reflects the asymmetric position of Indian AI actors compared to Japanese ones.

Institutional Maturity and Technical Capacity

The JFTC already had substantial technical expertise from its prior work on digital markets, algorithms, and platform regulation. The CCI explicitly acknowledges that it needs to strengthen its technical capabilities significantly and proposes creating a dedicated think tank as a future step. This difference in institutional readiness affects not only what each study recommends but also what each regulator can plausibly implement in the near term.

Treatment of Mergers and Acquisitions

Both studies recognise M&A activity as a meaningful competition risk in the AI sector, though the nature of their concerns differs in ways that reflect each country's broader market position.

The CCI's primary concern is "killer acquisitions", where large incumbents acquire nascent competitors not to develop them, but to neutralise potential threats. This concern is particularly salient in the Indian context, where domestic AI startups operating at the application layer are more likely to be targets of acquisition by deep-pocketed foreign incumbents than acquirers in their own right. The CCI has also noted that India's newly introduced deal value thresholds are a step in the right direction, enabling regulators to capture high-value transactions involving asset-light but competitively significant

startups that would otherwise fall below traditional turnover-based notification thresholds.

The JFTC's concern, by contrast, is less about ownership and more about talent. Version 2.0 of the JFTC report introduces a specific concern regarding the acquisition of highly skilled AI professionals through partnership structures, noting that where such arrangements are designed to lock-in key talents and have effects substantially equivalent to a business transfer, they may raise competition concerns. What is notable is not the concern itself, but its application to AI-specific partnership structures, which do not always take the form of traditional acquisitions and can therefore evade conventional merger review.

Taken together, the two studies reflect two distinct competitive concerns: India is concerned about its startups being bought out and potential competition eliminated; Japan is concerned about its talent being quietly absorbed through structural partnerships. Both, however, point to the same underlying dynamic i.e., the ability of large incumbents to neutralise competitive threats without triggering traditional merger review.

5. Comparative Overview: Key Parameters

Parameter	JFTC Study (Japan)	CCI Study (India)
Study Period	Oct 2024 (Discussion Paper); June 2025 (Ver. 1.0); April 2026 (Ver. 2.0)	April 2024-October 2025
Methodology	In-house; 712 public comments, approx. 50 stakeholder interviews (Ver. 1.0); 30 additional hearings (Ver. 2.0); ongoing information submission form	Externally commissioned (MDIS); mixed methods including literature review, interviews, surveys
Analytical Framework for AI framework	Three-layer model: Infrastructure, Model, Application	Eight-layer 'AI Stack': upstream (data, infra, dev, foundation model) + downstream (fine tuning, deployment, interaction, governance)
Core Concern	Access restrictions, tying, self-preferencing, talent cornering, parallel conduct	Concentration in upstream infrastructure, algorithmic collusion, entry barriers, and killer acquisitions
Domestic Context	47.2% projected CAGR; homegrown Japanese-language LLMs; mobile software ex ante law (MSCA)	Indian startups concentrated in the application layer; heavy dependence on foreign infrastructure; ex ante Digital Competition Bill debate
Enforcement Posture	<i>Ex-post</i> enforcement under AMA; proactive antitrust guidance on tying and access restriction	<i>Ex-post</i> with <i>ex-ante</i> aspirations (via Digital Competition Bill); primarily advocacy and compliance guidance
International Engagement	Active G7 competition summits; ICN and OECD participation; bilateral peer discussions	OECD, ICN, UNCTAD; MoU framework with domestic regulators; focus on aligning with global best practices
Gap Limitation	Ver. 2.0 adds concrete antitrust guidance, but enforcement actions remain prospective; no formal <i>ex-ante</i> AI-specific framework beyond MSCA; autonomous driving and Physical AI analysis still at an early stage	Light-touch approach may underestimate structural harms; lacks the granularity regarding competition enforcement and regulatory framework.

6. The Regulators' Dilemma: Innovation versus Intervention

The deepest point of divergence between the CCI and the JFTC is not in identifying competition risks. The two authorities are broadly aligned on this, but they differ in their assessments of the appropriate regulatory response. Both are aware of the tension between intervening early to prevent market tipping and intervening prematurely, which can chill innovation.

The CCI comes down more firmly on the side of caution, with its preference for advocacy, self-regulation, and ex-post enforcement reflecting a concern that hard-law intervention in nascent AI markets risks deterring investment and foreclosing the innovation space.

This concern is widely shared across the Asian regulatory community, which has broadly favoured a lighter-touch approach to AI governance at this stage of market development.

India's AI market, while growing rapidly from US\$3.2bn in 2020 to US\$6.05bn in 2024, and projected to reach US\$31.94bn by 2031, remains at an early stage of development, and the CCI appears to view premature regulation as a graver risk than delayed enforcement.²³

Japanese position is more nuanced. The MSCA represents a commitment to ex-ante regulation in adjacent digital markets, and the JFTC has preserved the option to apply or extend that framework to AI-specific concerns. At the same time, Japan's AI Bill explicitly avoids the EU's hard-law model, opting instead for a flexible policy infrastructure that can be adjusted as market conditions evolve.

The global debate on this question remains unresolved. The challenge lies in balancing the risks of delayed action with premature regulation that could distort the market and prevent it from evolving efficiently.²⁴

The experience with the General Data Protection Regulation is particularly instructive: regulations that impose disproportionate compliance costs can inadvertently entrench larger firms at the expense of smaller competitors, producing outcomes that are the opposite of the intended regulatory purpose.²⁵

Hence, it is increasingly difficult for regulators to strike a balanced approach to AI and competition: excessive intervention risks chilling innovation. At the same time, under-regulation may grant unfettered market power to already dominant firms, entrenching concentration and raising long-term barriers to entry.

These concerns are not limited to one country; this is very much a cross-border issue. International cooperation among authorities worldwide is needed for effective regulation,

²³ <https://www.news9live.com/technology/artificial-intelligence/india-ai-market-131-billion-2032-cci-report-2946643>

²⁴ <https://www.oxera.com/insights/reports/ai-competition-and-regulation-navigating-the-challenges-ahead/>

²⁵ Id.

as highlighted in both market studies. This creates a compelling case for international regulatory cooperation.

India and Japan have already formalised a framework for such cooperation through a 2021 Memorandum of Understanding between JFTC and CCI, covering areas such as information sharing, enforcement cooperation, and capacity building.²⁶ This MoU provides an institutional basis for the two authorities to develop shared frameworks for market definition in AI markets, coordinate scrutiny of global technology firms operating in both jurisdictions, and pool technical expertise to meet skill gaps.

However, the practical value of this framework should not be overstated. Both reports grapple with strikingly similar concerns, yet they reach their conclusions in complete isolation from one another. The 2021 MOU, for all its formal architecture, appears to have produced little by way of actual intellectual exchange or coordinated analytical work. Two authorities facing near-identical competitive challenges posed by the same sets of global firms, bound by a signed agreement to cooperate, and yet seemingly unaware of or at least uninfluenced by each other's most significant recent outputs. That is not cooperation; it is parallel existence dressed up in institutional language.

Both authorities have signalled their intent to engage with multilateral frameworks, though concrete steps in this direction remain at an early stage. Given that AI markets are inherently cross-border in nature, international cooperation moving forward will be essential. Fostering greater international coordination among competition authorities will, therefore, be critical to ensuring that AI governance keeps pace with the global nature of these markets.

7. Conclusion

The AI market studies published by CCI and JFTC represent important early contributions to what will be an ongoing global conversation about the relationship between AI and competition law. Both authorities have identified, with considerable accuracy, the principal competitive risks posed by AI markets: concentration in upstream infrastructure, self-preferencing and tying by vertically integrated incumbents, and the novel challenges posed by algorithmic coordination.

Where the two jurisdictions diverge is in regulatory philosophy and institutional readiness. CCI approaches AI competition through a lens of cautious, preferring to build evidentiary foundations and capacity before committing to binding obligations. JFTC, while also favouring soft law, has a more developed institutional toolkit including the MSCA's *ex-ante* framework, and has adopted an explicitly agile methodology that allows it to monitor and respond to market developments in near real time. The publication of Ver. 2.0 in April 2026, adding Physical AI and autonomous driving market analysis, sharpened guidance on mobile OS restrictive conduct and AI-service integration tying, and the commencement of a formal examination of Microsoft's software licensing

²⁶ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1733840®=3&lang=2>

practices (with respect to cloud services) demonstrates that the JFTC’s iterative model is not merely aspirational but operational.

The optimal approach likely involves drawing on the strengths of both. India’s careful attention to innovation incentives and its emphasis on building inter-regulatory coordination are important counterweights to the risk of premature intervention. Japan’s structured anticipation and operational *ex ante* framework through the MSCA demonstrate a clear willingness to adapt regulatory tools as technology evolves. This is most evident in the rapid transition from a market study to concrete Antimonopoly Act guidance in Version 2.0, reflecting an agile and iterative approach to AI regulation.

The expansion of Japan’s analysis into Physical AI and autonomous driving further underscores how competition authorities can remain both relevant and responsive in fast-moving markets.

The JFTC’s experience with versioned, iterative reports may be particularly instructive for the CCI as it develops its own capacity for continuous market monitoring. Together, these approaches, combined with sustained international cooperation, offer the most credible path toward a competitive, dynamic, and innovative AI ecosystem. A closer cooperation between the two agencies – JFTC and CCI – will benefit one another, particularly the CCI.