satellite phones in Indian waters is prohibited entirely. Together, these requirements make it economically unfeasible for many foreign satellite communications providers to offer services in India.

**Distribution Services**

India permits 100 percent FDI in single brand retail. Foreign investments exceeding 51 percent are contingent on, among other things, a requirement to source at least 30 percent of the value of products sold from Indian sources, preferably from small and medium-sized enterprises. In June 2016, the Indian government relaxed these sourcing requirements for companies engaged in the distribution of ‘state-of-art’ and ‘cutting-edge’ technology: firms would have three years from the opening of a single-brand retail outlet to meet the 30 percent requirement as long as the initial 5 year average was 30 percent. In January 2018, India further relaxed the requirement, allowing firms to offset the local sourcing requirement by sourcing products from India for global supply chains during the first 5 years the investment. Despite these modifications, the local content requirements remain prohibitive.

India permits up to 51 percent foreign ownership in companies in the multi-brand retail sector, but leaves to each Indian state the final decision on whether to authorize such FDI in its territory. In addition, where FDI is allowed, it is subject to conditions, including: (1) a minimum investment of approximately $100 million, at least 50 percent of which must be in “back-end infrastructure” (e.g., processing, distribution, quality control, packaging, logistics, storage, and warehouses); (2) a requirement to operate only in cities that have been identified by the relevant state government; and (3) a requirement to source at least 30 percent of the value of products sold from “small” Indian enterprises that have a total investment in plant and machinery not exceeding $2 million. Several foreign companies have reported that the local sourcing requirements and other conditions on foreign investment have diminished the commercial incentive for expanding investment in India’s retail sector.

India allows for 100 percent FDI in business-to-business (B2B) electronic commerce, but prohibits foreign investment in business-to-consumer (B2C) electronic commerce. India also does not allow foreign-owned e-commerce firms to take ownership of inventory that requires them to operate, as a marketplace-based electronic retailing model. In December 2018, India announced new regulations that expressly prohibit subsidiaries of foreign-owned marketplace-based e-commerce sites from selling products on their parent companies’ sites. The new rules also prohibit exclusivity arrangements by which e-commerce retailers can contract to offer any product on an exclusive basis. The only exception allowing FDI in B2C electronic commerce permits investment in single-brand retailers that meet certain conditions, including the operation of physical stores in India. This narrow exception limits the ability of most potential e-commerce investors to access the Indian market.

Indian states have periodically challenged the activity of direct selling (i.e., the marketing and selling of products to consumers away from fixed locations) as violations of the Prize Chits and Money Circulation Schemes (Banning) Act of 1978 (Prize Chits Act), creating uncertainty for companies operating in this sector. This central government legislation contains no clear distinction between fraudulent activities and legitimate direct-selling operations. Enforcement of the Prize Chits Act is reserved to the states, which have adopted varying implementation guidelines and taken unexpected enforcement actions on the basis of the ambiguous provisions of the Act, including the arrest of a chief operating officer of a direct selling company.

Previously, stakeholders asked India to issue guidance establishing a definition of direct selling and clarifying ambiguities, including uncertainty related to commissions earned in connection with the sale of products. In 2016, after extensive advocacy by the U.S. government and private industry, India approved new guidelines governing direct selling that established clear legal definitions of direct selling, but enforcement and application of the new guidelines is still left to state authorities.