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Monopolistic Practices of Big-Tech Firms

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This article is based on “**Global antitrust and the challenge of Big Tech**” which was published in The Hindu on 29/01/2021. It talks about the concerns associated with monopolistic practices of Big-Tech firms.

With the Internet playing a central role in determining how humans live and work, a few big technology companies have gathered remarkable clout. Big Tech firms, also known as GAFAs (Amazon, Apple, Google, Facebook), are the largest and most dominant companies in the information technology industry of the United States.

Many have speculated it may not be possible to live outside of the digital world ecosystem created by these companies. Now, these big tech companies are setting their sights on the Global South, particularly the Indian subcontinent, for the untapped potential it holds.

However, there are many concerns over these Big tech firms’ monopolistic practices like slow regulation, unfair competition, privacy, etc. Therefore, given the centrality of digital technologies in the future, a comprehensive regulatory framework must be needed.

How Big Tech Firms Establishes Monopoly?

- **Network effect:** Due to strong network effects, it is not possible to ban or curtail these services.
Even if other options are available (such as Signal and Telegram for messaging), the network effects bind customers to their often used platform (WhatsApp), even if it is not their favorite.
- **Brand Loyalty:** The major players have harnessed technologies that permit synchronicity between devices and people in a manner that is often superficially described as “brand loyalty.”
- **Tying or Bundling Certain Products:** Big tech firms have pre-loaded certain software with the OS. Due to this, many times, there was no option available to users to use other alternatives.

Concerns Associated with BigTech Firms

- **Unfair Competition:** Innovations and technological advancements have meant that unlikely giants have emerged in an extremely short span of time. To retain their pole position, these firms may resort to anti-competitive behavior. For example:
 - They are erecting entry barriers by refusing to interconnect and interoperate with competing firms.
 - Leveraging their capital base and thereby engaging in predatory pricing, and driving out competitors.
 - Exclusive arrangements and cartelization.
- **Privacy Concerns:** Big tech firms' market power is built at individuals' expense through the unscrupulous collection and processing of user data and forcing certain products on consumers.

Further, there is a lack of transparency in how tech companies process user data, which has raised serious and pressing privacy concerns.
- **Slow Regulation:** Due to rapid innovation and advancement by the Big Tech firms, the regulators are only able to react, not be in readiness.
 - In India, Big Tech companies are able to operate in a regulatory vacuum.
 - Due to this, they can avoid any negative repercussions for their continued violations regarding the adequate compensation of labor, local incorporation, and taxation laws and maintaining reasonable and adequate data protection standards.

Way Forward

- **Prioritizing Personal Data Regulation:** At a point in time where data is the new gold standard, the regulation of how tech companies use consumers' personal data to establish dominance should be a significant preliminary focus point.
- **Ensuring Right to Privacy:** Governments worldwide have introduced stringent laws to ensure users' right to privacy by requiring tech companies to adhere to certain basic and essential data security and privacy measures.

In this context, the dedicated data protection law (the **Personal Data Protection (PDP) Bill**) must be expedited.
- **Comprehensive Regulatory Framework:** There is an undeniable monopoly that big tech companies enjoy across sectors and regulatory gaps and consumer loyalty has enabled this unique situation to thrive.
 - The consumer will not easily give up the convenience that this offers her; therefore, there is a need to create a network of regulatory measures and safeguards centered around the consumer.
 - Thus, regulation should be mindful of region-specific issues and adopt a multi-disciplinary approach to have the most impact.
- **Monetizing Information:** Big Tech companies must negotiate a fair payment with all the stakeholders for using their content in Facebook's newsfeed and Google's Search.

Conclusion

Given the size and impact of the Indian market, all regulatory action in India is bound to be closely monitored and can have a far-reaching effect elsewhere in the world.

Hence, the question before policymakers is how to regulate these Internet firms from abusing their monopoly power while at the same time encouraging the positive externalities and consumer surplus they create.

Drishti Mains Question

Given the centrality of digital technologies in the future and concerns emanating from monopolistic practices of Big Tech firms, a comprehensive regulatory framework is the need of the hour. Discuss.
