



Anti-Trust Lawsuit Against Google

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This article is based on **“Reining in Monopolies”** which was published in The Business Standard on 22/10/2020. It talks about the antitrust suit against Google and issues related to unfair trade practice in digital space.

Recently, the US Department of Justice (DOJ) has launched an **antitrust suit against Google**. DoJ alleged Google for unlawfully maintaining a monopoly in general search services and search advertising.

DOJ claims that Google uses its financial power to pay for mobile-phone manufacturers, carriers and browsers, to maintain Google as their preset, default search engine and thereby creating a self-reinforcing cycle of dominance.

These illegal trade practices, if true, results in an unprecedented concentration of market power in the hands of digital platforms like google. Moreover, current regulations in key international markets are fragmented, outdated and do not reflect consumer interests and international market realities in the digital environment.

Therefore, it is time to establish appropriate rules and standards with a holistic mindset, so that fair competition can be ensured in digital market space.

Alleged Monopolistic Practices By Google

- Google is one of the most important businesses in the digital economy. Due to its innovation it has positioned itself as a leader in the Internet environment worldwide. In perusal of this Google has established dominant digital products. For example:
 - Google’s licensed operating system, Android, rules the smartphone market, while the Chrome browser has a dominant market share in desktops and mobiles.
 - The Android dominance allows Google to charge a whopping 30% commission on apps listed in the Android Play Store.
 - Based on this, Google is alleged of using this dominance to promote other businesses it controls.

- On similar charges, Google was fined a record **4.3 billion euros in the EU** for anti-competitive practices, and told to offer a choice of four default browsers on the Android.
- In 2019, **Competition Commission of India** had held Google guilty of misuse of its dominant position in the mobile Android market and said the company had imposed “unfair conditions” on device manufacturers to prevent them from using other operating systems.

Key Characteristics of the Digital Economy

There are three key characteristics of the digital economy:

- **Extreme Returns to Scale:** The cost of production of digital services is much less than proportional to the number of customers served.
 - Financial Advantage with dominant players in the digital world pushes competition to the extreme disadvantage to new entrants.
- **Network Externalities:** The mechanics of the digital economy, notably the so-called network effect, fuel rapid growth of platform companies to unprecedented size, market power and influence on public opinion.
 - The convenience of using a technology or a service increases with the number of users that adopt it.
 - Consequently, it is not enough for a new entrant to offer better quality and/or a lower price than the incumbent does; it also has to convince users of the incumbent to coordinate their migration to its own services.
 - Network effects could thus prevent a superior platform from displacing an established incumbent.
- **Role of Data:** The evolution of technology has made it possible for companies to collect, store, and use large amounts of data.
 - Data is not only one of the key ingredients of **Artificial Intelligence** but also a crucial input to many online services, production processes, and logistics.
 - Therefore, the ability to use data to develop new, innovative services and products is a competitive parameter whose relevance will continue to increase.

Associated Issues

- **Economies of Scope:** A consequence of these characteristics is the presence of strong “economies of scope”, which favour the development of ecosystems and give digital giants like Google a strong competitive advantage.
- **Asymmetrical Access to Data:** With the diversity of the media landscape and the digital economy, asymmetrical access to data and a lack of transparency harms consumers.
- **Lack of Options:** Global digital platforms have built data ecosystems allowing them to easily obtain consent in exchange for access to their services.

Antitrust Law in India

- Antitrust law, also referred to as Competition law, aims to protect trade and commerce from unfair restraints, monopolies and price-fixing.
- It ensures that fair competition exists in an open-market economy.
- The Competition Act, 2002 is India's antitrust law. It repealed and replaced the Monopolies and Restrictive Trade Practices Act, 1969 (MRTP Act) on the recommendations of the Raghavan committee.

Way Forward

In order to achieve fair competition in the digital Market regulators all across the globe can take following measure:

- **Ensuring Fair Balance:** Issues emanating from digital markets imply that “the invisible hand of the market” must be supplemented by “the visible hand” of competition authorities or of the legislator.
- **Need For Data Regulation:** Given the significance of data in this new age , there is a need for global convention on Data protection and Privacy regulation.
- **Fair Digital Taxation:** A level playing field needs to be achieved with a comprehensive tax policy response coordinated at international level.
 - The new tax framework should reflect the nature of global digital business models and avoid unfair double-taxation to other players as collateral damage of tax initiatives.
 - Thus, it is essential that governments and businesses work together to develop an efficient tax framework to harmonize international tax rules.

Conclusion

Whenever any sector turns into a monopoly, or becomes highly concentrated in market share, regulators must also ensure competition is not wiped out by unethical means.

India's own Competition Commission needs to consider being more active in the regulation of sectors like telecom, retail, ports, and airports, where such concentrations are occurring.

Drishti Mains Question

Discuss issues related to unfair trade practice in digital space in light of the recent antitrust suit against Google.



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<https://youtu.be/pCfjmjCYF4M>

This editorial is based on **“After losing Rs 21-trillion, time to relook the PSU policy”** which was published in The Financial Express on October 22th,2020. Now watch this on our Youtube channel.