



Report on Big Tech Companies

Why in News

Recently, a **US House of Representatives panel** submitted the **report of a bipartisan investigation** into the working of **big technology companies** like Amazon, Apple, Google and Facebook.

- It called for the big technology **companies to be broken up** and also for a **“presumptive prohibition against future mergers and acquisitions** by the dominant platform”.

Key Points

▪ Background:

- These companies have **been on the government radar** in many countries for being big spenders and trying to steamroll competition by **either buying out their rivals or pushing vendors to avoid working** with their competitors.
- As part of reviewing the state of competition online, the US House panel **probed these companies and looked into how they controlled the flow of data** for themselves as well as their competition.

▪ Findings:

- Company **heads were questioned** over the evidence which suggested that the companies have exploited, entrenched and expanded their power over digital markets in anti-competitive and abusive ways and the **answers by the heads were often “evasive and non-responsive”**.
 - This aspect **raises questions on the powers assumed** by the big tech companies and whether they consider themselves beyond the reach of democratic oversight.
- Each of these companies **acts as a “gatekeeper” over a key channel of distribution**, which means that they have **full control over what goes** on in their respective domains.
 - By controlling access to markets, they **can pick winners and losers** throughout the economies.
- These companies **not only wield tremendous power, but also abuse it** by charging exorbitant fees, imposing oppressive contract terms, and extracting valuable data from the people and businesses that rely on them.
- Companies **ran the marketplace** for their respective domains, while also **competing in it** and to ensure they retain the number one position, the companies have **restored to “self-preferencing, predatory pricing, or exclusionary conduct”**.
 - **Self-preferencing** involves actions by an undertaking which are designed to favour its own products or services over those of its competitors.
 - **Predatory pricing** is an act of setting prices low in an attempt to eliminate the competition.
 - **Exclusionary conduct** is a conduct that creates or maintains monopoly power by disadvantaging and harming competitors.

▪ Recommendations:

- To push for **“structural separations”** of the big tech companies. These companies should be **broken into smaller companies** to ensure that they would not be able to have as much influence as they have currently over the digital marketplace.
- These companies should be **prohibited from operating** in an **“adjacent line of business”**.
 - Adjacent business is to leverage a business's existing capabilities and apply them to a distinctly new market which is close in proximity to the existing business.
- There should be a **“presumptive prohibition”** against big tech companies going **for mergers and acquisitions**.
 - For example, Facebook bought Instagram and WhatsApp and has been accused of using money power to outright buy competition and then pushing them aggressively against other competitors.

▪ Impact of the Recommendations:

- Although the recommendations are **not legally binding** on either the USA government or any other agency, they have the **potential to start a debate and deeper research** in the direction of more controls by big tech giants.
- **Laws on vertical mergers and overriding problematic legal decisions can be rethought** and changed after the recommendations.
 - A vertical merger is the **merger of two or more companies that provide different supply chain functions for a common good or service**.
 - Vertical mergers are a way for companies to **significantly cut costs, increase profits, expand their market**, and turn their focus on bigger goals of improving their company.
- Big tech companies might not be directly impacted by these as of now, but there will be **increased scrutiny of regulators and probe agencies worldwide**.
- Companies are likely to **face more questions and probes from states** in the USA, which have been dragging them for not doing more to control their influence on day-to-day aspects of life.

Big Tech Influence in India

- The report also mentions the **role of the big tech companies in stifling competition in India**.
 - It refers to the various [antitrust probes going on against Google in India](#), which has had run-ins with regulators, especially the [Competition Commission of India](#) (CCI).
- In the last two years, the CCI has raised **issues with Google’s commercial flight search option, its dominant position in the search marketplace, the abuse of its dominant position in the Android phone and smart television market**, and others.
 - In 2019, Google was held guilty of misuse of its dominant position in the mobile Android market for **imposing unfair conditions on device manufacturers to prevent them from using other operating systems**.
 - Google has also been accused of **following a high and unfair commission mechanism** for apps listed on its Play Store.
- [Amazon](#) and [Facebook](#), which are trying to enter the retail space in India, are also **likely to be under the lens for the way they price their products** and the space they give/deny to their competition.

[Source: IE](#)

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