



Anti-Competitive Practices by Big Tech Companies

For Prelims: [IAMAI](#), [Parliamentary Standing Committee](#), Systemically Important Digital Intermediaries, [Fintech](#), [Competition Amendment Bill, 2022](#), CCI.

For Mains: Anti-Competitive Practices by Big Tech Companies.

Why in News?

Some start-ups have accused the [IAMAI \(Internet and Mobile Association of India\)](#) of favoring Big Tech companies over smaller ones, which highlights the Issue of **Anti-Competitive Practices by Big Tech Companies**.

- IAMAI is a not-for-profit industry body registered under the **Societies Act, 1896**. Its mandate is to expand and enhance the online and mobile value-added services sector.

What is Big Tech?

- The term '**Big Tech**' is used to refer to a handful of large, globally significant technology companies, such as Google, Facebook, Amazon, Apple and Microsoft.
- Big Tech is better understood as a concept, rather than a static set of companies. New companies **may enter this category just as existing ones** may drop out of it.

What is the Background?

- The [Parliamentary Standing Committee](#) on Finance proposed **new regulations to prevent anti-competitive practices** by big tech companies.
 - These included ex-ante regulations that require companies to follow certain standards of behavior **before engaging in certain practices** and designating big tech companies as **Systemically Important Digital Intermediaries (SIDIs)**.
 - The SIDIs would be the leading **entities with the potential to negatively impact competition** in the digital ecosystem based on their revenue, market capitalization, and number of active users.
- However, the IAMAI argued that these **regulations could stifle innovation and competition**.
 - Other big tech companies like Meta, Apple, Amazon, Twitter, and Google among its members, **submitted similar comments**.
- This move has drawn criticism from some Indian startups, who accuse IAMAI of promoting views that favor foreign big tech companies and influencing the **Competitive Conduct in the Digital Ecosystem**.

What is the Role of Big Techs India's Digital Space?

- **Revenue Source:** They play a prominent role in the [fintech market](#), an attractive revenue source particularly because of **low per user ad revenues in India**.
- **Overcoming Literacy Barriers:** Voice-based and [regional language](#) interfaces are offered by Big Tech companies to reach new users and overcome literacy barriers.
- **Bridging Infrastructural and Employment Gaps:** New business verticals that bridge existing infrastructural and employment gaps by providing warehousing, delivery facilities and job opportunities are **helping India to serve Indian markets better**.
- **Social and Political Progress:** Most Indian internet users rely on one or more Big Tech platforms to access information, communicate, **and participate in political and social life**.
 - This is also democratising the exercise of the [constitutional right of free speech](#).

How does Big techs Influence the Competitive Conduct in the Digital Ecosystem?

- **Acquisitions and Mergers:**
 - Large firms buying highly **valued start-ups without being subject to merge control rules** is a problem in digital markets.
 - The Committee noted that [CCI \(Competition Commission of India\)](#) is not able to capture certain mergers and acquisitions because **they do not meet the thresholds of assets and turnover required** for combinations.
- **Self-Preferencing:**
 - Self-preferencing happens when **a company promotes its own services** or those of its subsidiaries on its platform, while also competing with other service providers on the same platform.
 - For example, a company may give **priority in rankings to its own applications** in an app store. This lack of neutrality can harm other businesses and reduce their profits.
- **Data Usage:**
 - Digital companies collect a lot of customer data **which can give them an advantage and make it hard for new companies** to compete.
 - This data can also be misused to **track and profile customers**.
- **Restricting Third-Party Applications:**
 - Some companies **restrict the use of third-party applications** on their platforms, which can limit user choice.
 - For instance, an operating system **may prevent users from utilizing services** of an application other than its own, such as Apple not allowing any third-party applications to be installed on the I-phone.
- **Adjacency:**
 - Digital firms sometimes force customers to **buy additional services linked to their main product**, which reduces competition and creates pricing asymmetry.
- **Anti-Steering:**
 - Anti-steering provisions are used by entities to **prevent business users from using other alternatives**, thereby reducing competition.
 - For example, application stores mandating the use of their own payment systems. These practices result in anti-competitive exclusionary practices.

What is India's Current Approach to Regulate Big Tech?

- **Competition Act, 2002:** In India, antitrust issues are **governed by the [Competition Act, 2002](#)**, and the CCI checks upon **monopolistic practices**.
 - In 2022, the CCI imposed a penalty of Rs 1,337.76 crore on Google for abusing its dominant position in multiple markets for 'anti-competitive practices'.
- **Competition Amendment Bill, 2022:** The government has proposed amendments to the competition law in the **Competition Amendment Bill, 2022**. The Bill receives Presidential Assent in April 2023.
 - The CCI shall frame regulations to prescribe the requirements for assessing whether an

- enterprise has substantial business operations in India.
- It will strengthen the **Commission's review mechanism, particularly in the digital and infrastructure space**, a majority of which were not reported earlier, as the asset or turnover values did not meet the jurisdictional thresholds.

Way Forward

- To address the unique characteristics of digital markets **that do not have a turnover**, the Parliamentary Standing Committee on Finance proposes a system based on the value of deals.
- They also recommend that any concentration involving entities that provide digital services or collect data should be reported to the **CCI before implementation, regardless of whether it meets the notification** threshold.
- The government needs to take adequate steps to **promote internet awareness, such as checking the authenticity of websites** before any transactions are made, and not granting access to unauthorized applications.

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