

WHY ARE AMAZON, GOOGLE, FACEBOOK AND APPLE FACING ANTITRUST ISSUES?

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

The story so far: After years of blistering growth driven by an ever-growing share of the online ad market and big data, the giants of Silicon Valley, including Amazon, Apple, Facebook and Google, are facing an unprecedented challenge — calls by lawmakers to curb their market monopoly power. There are two sources of tension relating to these four tech firms that have caused alarm across the United States, Europe and elsewhere: first, that they may have engaged in anti-competitive behaviour over many years thus undercutting smaller potential rivals and holding onto an outsized market share; and second, that as a result of this metastatic growth, they now have a vast influence on politics, policy and personal reputations across the spectrum, making cost of data privacy breaches by these firms catastrophic. Thus, in July 2019 the United States Justice Department and the House Judiciary Committee separately announced major antitrust investigations into Google, Facebook, Amazon and Apple promising “a top-to-bottom review of the market power held by giant tech platforms.”

Amazon: Given the disruptive effect of its online sales platform on traditional retail markets and smaller sellers, lawmakers for years and in multiple countries have contemplated regulations to clamp down on Amazon’s alleged anti-competitive practices. For example, questions have often been raised on whether Amazon favours its self-branded products over those of third-party sellers, by requiring other sellers to use its advertising services or fulfilment network, by rankings of product search displays, or by using data on other sellers to tweak its own offerings to its advantage. Regulators are also said to be looking into the conglomerate’s acquisition of Whole Foods, an upmarket U.S. grocery chain.

Apple: In September 2019, U.S. congressional investigators demanded documents from Apple to shed light on the company’s App Store policies, specifically regarding how Apple ranks search results on that platform, questions surrounding how Apple determines the share of revenue it takes from in-app purchases, and the exclusion of certain competing apps from the Store. For example, Spotify and those behind certain parental-control apps have filed complaints to regulators in the U.S., Europe, and Russia about Apple’s alleged restriction of their apps once the tech giant introduced self-made competing services.

Facebook: Regulators have focused their attention on Facebook’s acquisitive streak in capital markets, for example, the U.S. Federal Trade Commission (FTC) enquiry into whether Facebook defensively purchased certain companies to maintain its pre-eminent market position in the social networking ecosystem. Specifically, questions have centred on Facebook’s relationship with Onavo, a data analysis firm that Facebook purchased in 2013, which then allegedly helped the social media giant see off potential competitors. Investigators have also started looking into allegations that Facebook may have cut off certain third-party apps from its data.

Google: This company handles more than 90% of online searches across the world, so regulators have been observing its delivery of search results under a microscope. In recent years concern has grown over the fact that Google has increasingly been sending users to its own sites to answer their queries, including products such as Google Flights and Google Maps. Thus, Google may find itself grilled by regulators over whether it is abusing its search dominance, to the detriment of rival content producers. The European Union has already fined Google \$5.1 billion in 2018.

In March 2019 U.S. Senator and Democrat Elizabeth Warren announced as part of her 2020 presidential campaign, a plan to break up Amazon, Facebook, and Google. Shortly thereafter, on June 3, the House of Representatives' Antitrust Subcommittee announced a bipartisan investigation into competition and "abusive conduct" in the tech sector. In mid-July, the U.S. Department of Justice publicly announced that it had started an antitrust probe into "market-leading online platforms", following which Facebook confirmed that it was being investigated by the FTC, and Google that it was facing a Department of Justice antitrust probe. Over the next few months Attorneys-General across 50 U.S. states and territories announced a joint antitrust probe into Google and Facebook, and the House Antitrust Subcommittee made an enormous information demand to all four tech giants, requesting 10 years' worth of detailed records relating to competition, acquisitions, and other matters relevant to the investigation. The case against these four Silicon Valley firms is also bolstered by the fact that U.S. President Donald Trump could hardly be considered an ally. In August 2018, he warned that tech companies could be in a "very antitrust situation."

In the U.S. the cases against the four tech firms will likely be centred on possible violations of the Sherman and Clayton Antitrust Acts — two laws that have been foundational in the past century of federal antitrust prosecutions. While the firms have, more or less, complied with the various investigations against them, they have on occasion provided only limited information.

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