

MSMEs can be both beneficiaries and losers in this age of digital technology

On July 29, 2020, the antitrust subcommittee of the House of Representatives in USA conducted a hearing with the heads of leading technology companies, viz. Amazon, Facebook, Apple and Google about their abusive business practices. The hearing is based on 1.3 million documents that highlight the monopolistic behavior of these technology firms, much to the detriment of small and medium enterprises.

Digital technology has been hailed as a major enabler for micro, small and medium enterprises (MSMEs) to compete with large companies, by facilitating their access to wide markets, reducing their marketing and distribution costs. The products and services created by these leading technology firms have supported the business of thousands of MSMEs. Amazon's Global Selling Programme has helped more than 60,000 small enterprises in India to export their products globally and the company has committed to digitize 10 million MSMEs in the next few years.

Google's products such as its search engine, maps, Gmail and Youtube, to name a few have helped countless enterprises connect and do business with their prospective customers. The company's other products such as Google Docs and Calendar, Google Ads and Google Analytics bring efficiency to the operation of enterprises.

Apple has been supporting thousands of app developers sell their products to targeted audience through its appstore, which it launched in 2008. Since its inception, the number of apps hosted by the Apple appstore has increased from 500 to more than 1.7 million today, of which only 60 are owned by Apple.

Facebook, on the other hand, helps thousands of small businesses acquire customers through its targeted advertisement service. Facebook, which also owns Whatsapp and Instagram, has a huge user base of 2.6 billion people or 33% of the world population.

While on the one hand, these large technology companies support MSMEs, on the other hand they are also accused of abusing their dominant market position, often to the detriment of small enterprises. For instance, Google, which accounts for more than 85% of the online search engine market, is accused of manipulating search results in favour of its advertisers. Similarly, Amazon, which is the largest online retailer in the world, is accused of using data of third party sellers on its platform to promote its own products.

On the other hand, Apple forces app developers using its appstore to also use its payment processing system. Apple is also accused of applying discriminatory rules for listing or de-listing apps from its appstore. Often, these rules discriminate against small app developers whose products compete with those of Apple.

Today, the business models of these technology companies are compared to America's 19th Century industrialists, viz. John D. Rockefeller, Andrew Carnegie and JP Morgan, who grew their business empire by monopolizing their industry and other questionable business practices.

Recently, the Competition Commission of the European Union launched investigation on monopoly of Apple, Google and Amazon over digital assistants and smart home products. It is learnt that 60% of smart devices in the world are supported by Amazon's digital assistant Alexa. It is feared that these large companies may misuse the massive data on consumer habits collected from these smart home devices. For instance, Amazon may use this data to promote its proprietary products on its online retail platform, thereby hurting the business of third party sellers on this platform.

While the advent of digital age has improved ease of doing business for MSMEs, it has also given rise to monopolistic business practices by large technology firms that own huge consumer data. It remains to be seen how policymakers engage with these large technology companies and prevent them from resorting to abusive market behavior.

Notifications

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Anti-dumping duty on digital offset printing plates

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