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Managerial Decision Making

The effect of anticompetitive behavior by global companies on small local businesses by the example of the technology industry and the cases of Apple and Google

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INTRODUCTION

In the modern word due to the globalization, there is a tendency towards the emergence of a single world market. Nowadays the global companies are trying to establish their operations in almost all countries, that results in tougher competition on the local markets. Their presence provides a lot of opportunities, such as technology and knowledge transfer, improving product quality, giving more product and service choice to local customers, employment creation, etc.

However, this proximity of global enterprises does not always benefit small local businesses, because in most cases their foreign rivals possess more advantages, for example, recognizable worldwide brand, economy of scale, progressive technologies, etc. All these this makes it difficult for local companies to compete with these oversees giants and this situation is even more complicated by the fact, that some global companies tend to break fair competition rules in order to get the market dominance. This is especially true for the technology industry.

Due to the digitalization of many processes in business and everyday life in the modern world, the technology sector is actively developing, giving all the prerequisites to expect it further growth. That is why this industry is very attractive for the giant tech companies. However, it can be seen, that in general, the main dominant positions are occupied by global companies and the recent investigations of their activities have revealed, that sometimes they abuse their power and try to influence their competitors' activities and monopolize the industry by implementing anti-competitive practices. In this regard, nowadays competition regulatory authorities (in particular the European Commission and the U.S. Federal Trade Commission) try to keep an eye on global technology companies. Their special attention is focused on the "Big Tech" companies (Google, Amazon, Apple, Facebook, Microsoft) and their influence on the local markets and businesses.

The study considers the consequences of global companies' anticompetitive behavior for small local businesses on the example of such technology giants as Google and Apple.

The object of the research – global companies' anticompetitive behavior.

The subject of the research – the influence of anticompetitive behavior of global companies on small local businesses.

The main goal of this research is to identify the consequences of such anticompetitive behavior for small local companies and give recommendations for local businesses support. In order to achieve this goal, it is necessary to perform the following tasks:

- Study theoretical aspects of anticompetitive behavior by global companies;
- Proceed analysis of the competition between global companies and small local businesses in the technology industry;
- Proceed analysis of Apple and Google companies' anticompetitive behavior cases and point out the consequences of such behavior for small local businesses operating in the technology industry;
- Determine in general the main consequences of global companies' anticompetitive behavior for small local businesses and provide recommendations for the reduction of their influence on local players.

The hypotheses, that will be approved or disapproved in this research paper, are the following:

1. Anticompetitive practices of global companies have negative consequences not only for their direct local competitors, but also for local third-party businesses;
2. Even after legislative intervention and suspension of anticompetitive behavior of global companies, local companies continue to suffer the consequences of the violation of fair-competition rules.

The work structure is the following: three chapters, each of which includes three subchapters, conclusion and references.

The main methods used are qualitative and quantitative analysis. In addition, the deep analyzes of academic literature, outlooks of different inform agencies, case studies and articles are conducted.

THEORETICAL ASPECTS OF ANTICOMPETITIVE BEHAVIOR

1.1 THEORETICAL APPROACHES TO ANTICOMPETITIVE BEHAVIOR BY GLOBAL COMPANIES

Every state and society strive for a fair market competition, but unfortunately in practice it is almost impossible and only plays a role of a guiding star to achieve the ideal market conditions. In a real life some global companies are guided by the desire to get an instant benefit and to dominate the market as soon as possible, that leads to a violation of law and an emergence of an anticompetitive behavior.

Under global companies are assumed enterprises that have established their business activities and production facilities in multiple countries or around the world. (Bean-Mellinger, 2018)

Anticompetitive behavior of global companies is a variety of activities used by such companies in order to restrain a competition for getting an advantage over other firms and earning higher profits, that are not accompanied with an improvement in quality of good or services provided by global companies. (OECD, 1993). These actions cause a great damage to a competitive environment and hinder market development.

On the way to achieving a complete monopoly on the market, global companies try to establish very high entry barriers to prevent emergence of new competitors on the market. There is the following typology of entry barriers: (OECD, 2005)

1. Structural – are the barriers that are peculiar to the industry and do not depend on the participants of the competition. These barriers are determined by such factors, as demand and supply.
2. Strategic – are the barriers that are deliberately established by market players in order to restrict a rivalry, as a result of their anticompetitive

behavior. It is quite difficult to identify this type, because the same behavioral can be viewed from two perspectives: on the one hand, the desire to increase a market share is a typical and acceptable manifestation of competition, but on the other hand, this behavior can also be aimed at reducing market access, which violates the idea of fair competition and is unacceptable.

So far, there is still no common opinion on how to establish a presence of entry barriers on the market. Some researches hold the following opinion: only those hindrances should be considered as entry barriers, that were faced by the existing firms when they reach the market. Other researches assume, that this notion implies everything that somehow complicates market access and restricts rivalry. But all agree, that due to entry barriers a new company do not have an immediate access to a market. There barriers include: (OECD, 2005)

1. Structural barriers:

- great sunk costs, which force new companies to set high prices immediately after an entry, that is bad for their competition;
- economies of scale. The higher an output, the lower an average production cost. It is reasonable to assume that an existing company will have a greater volume of output, that allows it to set lower prices compering with a new entrant;
- great capital expenditures – total expenses that are required for a market entry. The higher total expenditures, the less attractive is the idea to enter a market for a new company (but not in all cases);
- reputation. Consumers usually prefer to deal with companies with a proven reputation, that presents a very serious problem for new entrants;
- legislation. Some governments provide range of benefits for large global companies, assuming that their presence may contribute to the development of their region. At the same time governments usually set very high quality standards for the safety of use of manufactured and sold products.

2. Strategic barriers are mainly associated with anticompetitive practices used by large companies against their rivals.

There are several types of anticompetitive behavior: (Spacey, 2016)

1. Cartels – when two and more independent manufactures enter into an agreement in order to improve a common benefit through implementation of different tools, like:
   - Price-fixing arrangements – when two and more companies-rivals agree to set the certain fixed prices on their goods. In this instance, such factors as demand and supply don't play a dominant role in determination of prices, common benefit of the agreement participants is the only factor that matters;
   - Refusal to deal – when two and more companies agree not to cooperate with a certain supplier or retailer. This method is usually applied when global companies strive to force their contractors to carry out their wishes, for example to be exclusive purchasers (for suppliers) and sellers (for retailers) of certain goods or to maintain certain level of prices;
   - Dividing territories – when two and more companies reach an agreement to decrease competition between each other and divide the market in the stipulated regions or areas. This type of anticompetitive behavior implies that the colluded company must supply strictly specified products or a fix on a certain target audience or limit their business activities within a certain territory, but on the condition that other colluded companies do not compete with it on the market;
2. Anti-competitive mergers and acquisitions – are M&As that significantly harm a competition on the market. Nowadays a lot of global companies tend to use an acquisition strategy in order to enter a foreign market that sometimes allows them to take a dominant position on this market, that could significantly affect the states of other companies operating in this region and diminish competition;

3. Dumping – when a company sells its products on a foreign market at a price that is lower than its cost of production and prices set by this foreign country's domestic producers, believing that it will help to attract more customers and push its rivals out of the market. However, according to the World Trade Organization, such practice can be regarded as unlawful only under the condition that prospective negative consequences for the competition in a host country can be thoroughly proved;
4. Limit pricing – when a monopolistic company intentionally establish lower prices that are aimed at dissuading new entrants. These prices are usually not aimed at profit maximization, but still brings higher profits in comparison with the rivals, and if the implementation of this strategy is successful, in the perspective the global company will be the main (if not only) player on the market and earn huge profits, discouraging new potential competitors to come to the market due to a required large level of output and inability to maintain such low prices;
5. Exclusive dealing – when a retailer or a wholesaler is forced by a global company to make all purchases only from a particular supplier set in the agreement; (Nocke & Rey, 2018)
6. Tying – when consumers have to buy goods that are not complementary. Only in the case if the goods are not inherently connected, this strategy is regarded as illegal, as it violates a customer's right to choose.

These anticompetitive agreements can be grouped as follows: (Spacey, 2016)

1. Vertical agreements – arrangement between two companies, one of which is a supplier, another – a buyer;
2. Horizontal agreements – arrangement between two companies, performing at one market and providing similar goods (rivals);
3. Conglomerate agreements – arrangement between two companies, performing at different markets.

There are some specifics of each type of anticompetitive behavior. For example, there are certain situations when an exclusive dealing cannot be regarded as invalid and unlawful, as for example in the case when each manufacturer provides its goods only to an exclusive distributor. But in the cases when there is only one distributor of goods produced by different companies and there are enough reasons to suspect a producer and a retailer of a collusion, these actions are considered as illegal.

As for price-fixing arrangements, it is prohibited for a manufacturer to compel a retailer to establish a minimum price for customers, but at the same time usually producers are allowed to propose a minimum level of prices and if a retailer does not take into account this recommendation, a manufacturer have the right to suspend provision of its goods and it will be absolutely legal.

Considering such anticompetitive practice as tying, it is often confused with bundling. Tying implies the situation when a customer with an intention to buy one item is forced to purchase one more certain item. Usually these goods are not closely related and can be used separately. Such imposed purchase doesn't bring much benefit to a customer and limits his right of choice. As for bundling, customers are offered, but not obliged to purchase two interrelated items on favorable terms. Such actions are legally acceptable.

Regarding the situations when companies intentionally set very low prices as a mean of struggle against competitors and a tool for attraction of customers, in other words dumping, in practice it is quite difficult to determine, when the prices are unacceptably low and harm free competition. It is assumed that a minimum price of goods of a particular company cannot be lower than average variable costs of its production. (Textbook Equity Edition, 2014)

According to a number of researches, emerging countries are supposed to be more unprotected to anticompetitive actions than advanced countries due to such reasons, as: (WTO, 2015)

1. Inappropriate business environment (obsessive regulation, poor distribution system) causes high entering barriers;

2. Lack of necessary information for taking effective decision;
3. Big share of small local companies, that are vulnerable to anticompetitive actions of larger companies.

Large global companies usually are the biggest players on the market and the way they conduct their business have a great influence on other players, the whole government and even the state. That is why competition and trade patterns are highly regulated by governments and different international organizations. In some counties it is called “anti-trust” regulation, while in others – “anti-monopoly” regulation. Domestic competition is a subject to a local national government regulation and is distributed within the state (for example, by the Sherman Antitrust Act in the USA), while a foreign rivalry is controlled by different multinational arrangements and organization, for example European Union Competition Law, North American Free Trade Agreement, OECD Competition Committee, World Trade Organization. The importance of international regulation is growing nowadays, due to the following reasons:

- import barriers have become less stringent;
- the increasing role of communication technology in a modern world;
- creation of a favorable environment for overseas investors in order to attract more foreign direct investments;
- providing markets with a greater range of opportunities for development and market liberalization.

Another reason is that nowadays there is a great number of network industries, that lead to the following problems:

- first of all, such companies have an opportunity to set unreasonably increased prices for that category of customers, whose demand does not depend on the price of goods;
- another problem is that these companies may use a position of a monopolist in one product category in order to promote and impose another product.

Among other important problems is that many global companies nowadays regard mergers and acquisitions of local businesses as one of the most effective ways for breaking into new foreign markets and together with investment legislation mitigation these factors caused a sharp increase in international mergers. All these call into question the ability of government legislation to cope with the complicating market relations and points to the need for international regulation. There is an opinion, that there should be a close interaction between domestic and international regulatory bodies in order to solve these problems. (Evenett, Lehmann & Steil, 2000)

A global company's decision to take anticompetitive actions is assumed to depend on such factors, as:

- types of available marketing channels;
- market saturation with competitors;
- existence of different types of products;
- number of suppliers and availability of resources for manufacturing.

Different studies partially confirmed this assumption, for example, in a timber industry, characterized with a great purchasing power of customers, there were plenty of cases when companies used a price-fixing strategy; or companies accused of criminal offence are most commonly found in strongly concentrated markets with a high level of competition. (Simpson, 1993)

There is also a number of researches that show the relationship between organizational culture and structure and the anticompetitive behavior of global companies. One of the assumptions says that global companies tend to use unfair competitive practices when they strive to achieve specific goals (determined as an indicator of success by a society), but this is impossible in the framework of fair competition, because permissible legal methods are limited, inefficient or insufficient for gaining the desired result. These reasons force them to take measures that most probably will hurt their competitors and even the market. (Vaughan, 1983)

Another assumption is that even within one global company organizational culture can vary in different divisions and countries. Different behavior and competition methods can be observed considering company's head office and its different branches. It depends on such factors, as: (Cullen, 1988)

- level of centralization and regulation;
- working conditions;
- employers' attitude to work and their moral principles;
- market conditions.

An important role is also given to a local culture prevailing on a specific market, as it has a significant impact due to which different subsidiaries of the same global company can use different behavior patterns and over time the importance of head company's culture will decrease. So, not all global companies operating in several countries can use native countries' practices in a country of residence, that depends on a degree of adaption to a local market and may influence their decision to break competition rules. (Lau & Ngo, 2001)

But there is no agreement about at what point and why a global company decides that it is necessary to start using illegal methods of competition. Most of the researchers regard large global companies to be more likely to break fair competition rules than smaller companies because they are more impartial. Diversification also creates an enabling environment for such actions, as it provides greater opportunity for concealing dishonest behavior from heads and coworkers. So, many researches try to reveal the facilities, when organizational culture and structure influence on its competition tools.

1.2 COMPETITION BETWEEN SMALL LOCAL BUSINESSES AND GLOBAL COMPANIES

Globalization and technological progress have caused the emergence of a single market environment. Nowadays a big international enterprise or its branch can be found in almost every country. Increasing number of global companies on foreign markets creates a lot of opportunities for local customers, which can now choose from a wider range of products. But in case of local small companies the situation is completely different.

Small local business is an enterprise, that has relatively small scale of operations and revenue, according to an industry, and serves only local customers in a specific region. (Hansen & Rugraff, 2011)

Their larger competitors have much more advantages over them: progressive technology, significant monetary capacity, world-famous brands, excellent products.

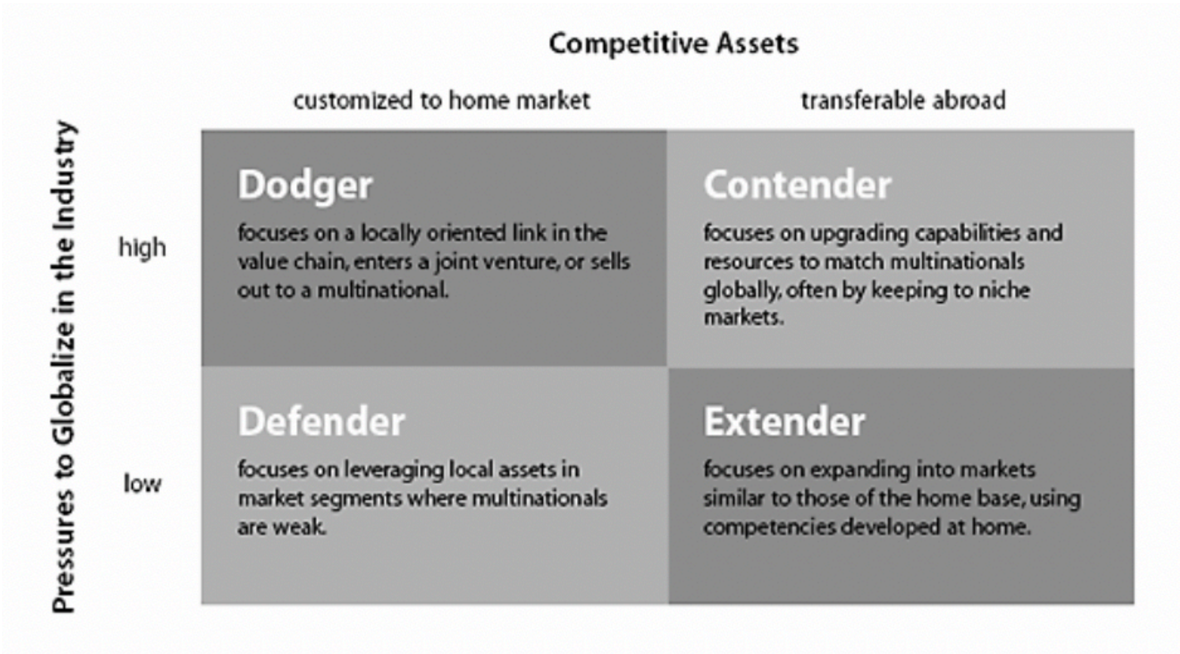
Under these circumstances, many local companies compete in the same market with large international companies and in this regard many different methods of competition are used: setting lower prices, using aggressive advertising, giving new features to the product, taking into account the interests of consumers.

International companies benefit from the economic power and a scale of production, while it is easier for regional companies to remain flexible with respect to the consumer. In order to keep the lights on local companies pays a lot of attention to such aspects, as: (Harland, 2015)

- Customer service. Very often big global companies don't pay a proper attention to customers and quality of provided service because of the huge scale of work. In contrast, it is easier for small local businesses to provide better pre-sale and after-sale experience.

- Personalization. Local companies better understand local peculiarities, while it is more difficult for international to delve into the specific features of the customers.
- Responsiveness. Local companies can better respond on a changing market environment and emerging new needs of customers.
- Strategic alliance. Very often small local businesses enter into partnership against oversees guests. Such partnership can be used for a creation of an innovation due to unification of efforts.
- Innovation. By anticipating consumer demand in advance local companies can stay ahead of the competition, while it is more difficult and time-consuming for international companies to respond to new needs of customers.

Figure 1 Competitive Assets



Source: Dawar & Forst, 1999

So, as it can be seen in the Figure 1, in competition with large international companies, local enterprises can take up one of the following positions: (Mezuláník, 1999)

- Defender. These local businesses mainly focus on the benefits which a domestic market can provide them. In the presence of bigger international companies, which offer a great variety of goods, these companies have always to keep in touch with local consumers' needs and enhance their products. It is very important for them to keep their uniqueness and to withstand a seduction to copy features of foreign rivals. These local firms pay special attention to those customers, who cherish regional traditions and peculiarities.
- Contender. Sometimes under the conditions of hard competition with international companies it is very difficult for local companies to defend the existing market position. So, in this regard they try to change something in their enterprise model or launch a new innovative product, that will help them to enhance their position on the market and to adapt to new realities.
- Dodger. Some local companies have to change the entire business model in order to keep up with the constantly changing conditions of market competition. If they are lacking, in some cases it only remains for local businesses to create a joint enterprise with an international company or to sell all its assets to an international rival.
- Extender. Some local companies don't satisfy with just defending and keeping their market share, and it may push them to the idea of going international and enter new markets where conditions are similar to the domestic one.

But international and local firms don't always necessarily compete. Sometimes they set partnership relations. In some instances, cooperation with international companies is regarded to be a good way to survive for local firms in a such highly competitive environment, regardless of what strategy they use (defender, contender, dodger, extender). Defenders can increase their market share, as they get an access to new production and distribution technologies, that significantly enhance their existing products and overall performance. Dodgers can capitalize on a bounded cooperation (limited within one project or narrow product line), because it can help them to remove its shortcomings and update the results not only in this project, but also further implement new findings in relation of the entire company. Contenders and extenders also can significantly benefit from being in a partnership with international firms, because it can provide them more opportunities both to enter other foreign markets (where its partner already has a relevant experience, established distribution, production capacity, reliable suppliers and possess knowledge about these market specific features) and create an innovative product (as there partners may have new technologies and provide some knowledge that may be very useful for creation of a new innovative product for its core local firm). (Dawar & Frost, 1999)

According to a Structure-conduct-performance paradigm international companies have particular assets that provides opportunities to cope with the problems associated with the uncertainties of new overseas market. These assets include some special knowingness, commercial classified information, hardware. Most commonly small local firms face with a problem of a technology gap, as their foreign rivals usually are much better equipped, due to the fact that they spend huge amount of money on research and development. When this gap is too huge foreign companies do have very little (almost no) incentives to deal with local firms, that prevents familiarization with new technologies. So, the less the gap the bigger advantage can be brought by global enterprises to the domestic companies.

Analyzing competition between global and local companies, scientists usually mention a “spillover effect”. This term implies a transmission of resources and competences from one company to another without established partnership between them. According to Caves (1974), due to the fact that large global companies show their manufacturing preponderance and go into rivalry or enter into partnership with local businesses, the process of technology spillover to domestic firms passes faster. Later a number of researches proved the correctness of this suggestion. They demonstrated, that employees of local firms that operate in the same industries with foreign companies had higher productivity rates per worker. There is also another point of view regarding this subject. Another group of researchers (Hadad, Harrison, Konings) also conducted a study and found out, that there was no sufficient influence on the performance of local businesses and in some industries in the presence of global companies even had negative consequences for it. For example, in some situations it led to the growth of market exit costs. But both these points of view were criticized, because none of the researches took into account the fact that small domestic businesses may also had a competitive advantage over their foreign rivals. Another problem is that the results of the studies were based on the analysis of industries, but not on the performance of a separate local firm. (Chang & Xu, 2008)

There is a suggestion, that spillover effect can be often traced between small local and global firms that possess different type of resources. In accordance with it, usually domestic companies have a competitive advantages, that are specific for a particular market (for example, well-established connections with suppliers and distributors, marketing channels, understanding of local peculiarities), while global companies have at their disposal such advantages, that can be characterized as "transferable", in other words easily moved to and used in another country (for example, a recognizable brand name, the best technical equipment, special administrative skills). As a result of this dissimilarity of advantages, this firms tend to use different strategies and avoid a direct competition, that contributes to their interaction and knowledge interchange. On the contrary, when global companies have a greater awareness of the peculiarities of the local market, thus have the same competitive advantages as domestic firms, there will be a tough competition between them.

So, global companies may bring both advantages (spillover effect) and disadvantages (in a form of tough rivalry) to local firms and it is important that the first component prevail over the second to maintain a sustainability of domestic companies.

In some cases international companies operate in foreign markets as "enclaves". This mainly happens in the sectors where local firms can't be regarded as potential competitors (due to a huge technological backwardness) or even as partners (as they do not demonstrate any development opportunities). This tends to occur in mining and agriculture industries in developing countries. So, sometimes these international companies have to create additional enterprises in a foreign country, that further will act as its suppliers. (Singer, 1950)

According to a number of scientific researches, relationships between local and international firms include five types of interactions:

- integrated;
- captive;
- relational;
- market;
- modular.

Each type assumes various development prospects for domestic companies:

- process enhancement;
- quality enhancement of goods produced;
- operational enhancement;
- value-chain enhancement.

However, international companies rarely demonstrate willingness and readiness to help their local partners with upgrading their activities that bring a significant value to a company, like research and development, sales growth, promotion. So, it indicates that in some extend the positive effect from communication and competition with foreign firms is limited. (Hansen & Rugraff, 2011)

When a foreign company enters a market the active struggle for a qualified workforce begins, especially in the developing countries. It has both positive and negative consequences for local companies.

In the first case, it is implied that as a result an increasing demand on the labor market, there is a lack of highly qualified employees. When potential workers with suitable skills are faced with a choice between working in a large international company or in a local enterprise, there are more reasons to believe that they will choose the first option. Due to this fact many small local companies in developing countries have an acute need for a qualified workforce. It also leads to a significant growth in wages, that considerable increases domestic firms' costs. In order to solve this problem some national businesses enter into partnership with educational organizations, as they believe, what this measure can them to attract more young clear minds.

In the second case, it is implied that a transfer of knowledge often occurs when an employee, who worked in a foreign company and gained specific new knowledge, decides to move to a local firm. In this way, new knowledge and information is shifted to local companies, that allows them significantly improve their performance.

Analyzing the above stated arguments, it can be concluded that a presence of global firms does not necessarily imply negative consequences for local companies, and in certain circumstances, due to "spillover effects", the presence of this firms may bring number of advantages. However, it is important to have a well-established regulatory system of relationships between global companies and small local businesses.

1.3 DEVELOPMENT OF SMALL LOCAL BUSINESSES IN THE PRESENCE OF ANTICOMPETITIVE BEHAVIOR BY GLOBAL COMPANIES

The global companies nowadays wield enormous power. Despite all the advantages, that they provide for the markets and customers, recently there are more and more cases, when global companies abuse their leading positions and implement anticompetitive practices.

The impact of anticompetitive behavior on the activity of local companies is a subject of investigation for various authors, especially concerning those companies that are situated in the developing countries.

Different researches accuse anticompetitive behavior of big global companies of diminishing small local businesses.

After the analysis of the markets in the United States of America and in the countries of the European Union the scientists came to the following conclusion: there is a tendency among large global companies to increase the sphere of their influence particularly in such segments of the economy, as production, building, retail trade. Simultaneously, it is becoming more and more difficult for new local entrants to defend their position in the market and, as a consequence, their market share is rapidly falling. It is pointed out in this research, that nowadays a market power in concentrated in the hands of several world leaders, while a level of competitiveness of small players is becoming lower. One of the main reasons for this situation is the fact that large global corporation very often tend to use anticompetitive practices, striving to "cut of oxygen" for small local companies, which to some extend pose a threat to them. And this problem is observed not only in the USA and the EU, but all over the world.

There is an opinion that antitrust legislation should be regarded as a tool that allows small local companies to compete on equal terms with large multinational enterprises by provision of access to a market and the conditions for a sustainable development, instead of regarding it as a tool for protection ineffective local players against their aggressive global rivals.

In the twentieth century the main concern of antitrust legislation was connected with a creation of a fair and favorable environment for operation of small regional businesses in the presence of their larger, more technologically developed global competitors. In most cases government tried to defend the rights of small companies and took their side. This attitude was highly criticized, as it was argued, that in order to maintain high level of competition governments very often supported and provided too many privileges to small companies, that were unsuccessfully managed and in order to diminish the consequences of this ineffectiveness, very high prices were established. But the situation has changed dramatically.

Nowadays the main objective of antitrust bodies is not to defend these small players, but to protect consumers' interests. There is a shift of focus from a maintenance of competition to a support of customers. It is argued that if the attention does not be paid to the competition again, the local companies will face insurmountable difficulties, as in the conditions of tough rivalry from global companies which tend to break fair competition rules, small local business need government support more than ever. (Thompson, 2016)

Manufacturing markets are described by a high level of competition and vertical integration. Due to a globalization and market liberalization and as a result of a strict rivalry with huge oversees companies, which tend to overcome established competition rules, it is becoming more and more difficult for small local businesses to exist on the markets and they go out of it. Those companies that managed to survive in such conditions, for example, due to export of goods to other countries, sometimes have to turn into affiliate organizations of global companies.

There is also another scenario, when small local companies have to face with a sufficient purchasing power of oversee companies, due to the range of mergers and acquisition of national companies conducted by their international rivals. This leads to the emergence of an oligopoly on a domestic market and to the concentration of a high level of authority in the hands of foreign players, that is the main reason of government intervention.

Very often large global companies set high product standards and this can be regarded from two points of view.

- On the one hand, it may be assumed that these companies' main concern is to increase their customers wellbeing through provision of better and more safe goods.
- On the other hand, setting of very high standards on the quality of products may be regarded as an attempt of foreign rivals to prevent an emergence of new companies on the market, as it is too difficult for small local businesses to meet it, and in this context, it is considered to be anticompetitive behavior. Indeed, a number of researches demonstrates that it has consequences for national companies in a form of higher manufacturing costs and exporting costs.

The development of the small local firms is also complicated by the fact, that global businesses sometimes may use their large profits in order to increase their political power for their mercenary purposes and promotion of their interest. It allows them to implement their anticompetitive practices with impunity. Such actions destroy not only a market and a fair competition, but also a governmental system. (Baker, 2003)

Among other negative consequences for small local businesses is the fact that some global companies try to establish very high barriers to enter the market, and as a result it is almost impossible for a new domestic enterprise to set its business activity. This effect is usually achieved by restriction of information in relation to small players, so that they cannot take a reasoned decision; setting very low product prices, that makes it unprofitable to conduct a business for new local entrants; setting intentionally very high product quality standards, which could be hardly achieved by small local firms.

The authors point out the importance of shifting the focus on local companies again and creation of more opportunities for their protection in the current environment of fierce competition with big global companies, because: (Mitchell, 2016)

- In some cases and industries (such as banking) local small companies may create more advantages for the market and be more effective in terms of production due to a small scope of their business activities and higher level of responsiveness to the need of their customers;
- The existence of a great number of local businesses encourages a more fair and similar allocation of income, stimulates increase in a middle-income population and increases level of employment of the local population;
- Small local businesses are assumed to be more interested in meeting individual person's demand, pointing out that each customer is an individuality, while their large global competitors are regarded as manipulators, which try to take advantage of the weaknesses of their consumers;
- The industries that is concentrated with small local businesses tend to demonstrate higher level of innovation, as there are enough opportunities for new small entrants to enter the market and implement their bold and pioneering ideas.

Summing up, the competition from global companies provides a lot of opportunities for markets and consumers resulting in:

- more choice available;
- creation of products of higher quality;
- "spillover effects" (like knowledge and technology transfer);
- the economic and industrial development;
- improving quality of life, due to the creation of new job.

However, more and more foreign firms nowadays tend to implement anticompetitive practices, resulting in negative consequences for small local companies. Though, local companies also have a number of advantages over its foreign rivals (like market specific knowledge, higher degree of flexibility towards constantly changing market environment, etc.), nevertheless they are still very sensitive to any violation of fair competition rules and need the support of regulatory bodies.

THE INFLUENCE OF ANTICOMPETITIVE PRACTICES BY GLOBAL COMPANIES ON THE SMALL LOCAL BUSINESSES IN THE TECHNOLOGY INDUSTRY

2.1 ANTICOMPETITIVE PRACTICES BY GLOBAL AND LOCAL BUSINESSES IN THE TECHNOLOGY INDUSTRY

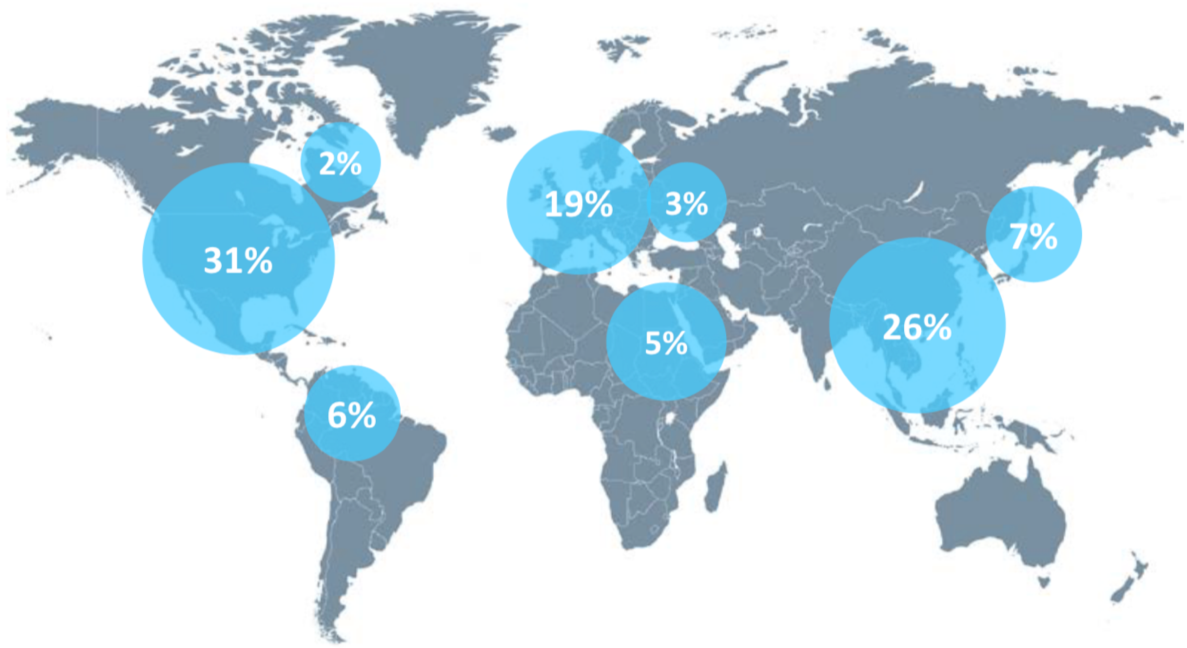
Nowadays it is safe to suggest that the technology industry is in its prime. The most obvious reason for that is the fact that modern world is becoming more and more digitalized. Technologies have penetrated into almost every sphere: human life, manufacturing, science and others. Even governments are shifting towards automatization of its processes. All this leads to the rapid development of innovation and technological industry, that is expected to gain 5 trillion dollars in 2019.

There are three main trends in the technology market:

- active development of cloud computing, that provides different functions, facilitating the use of computer, for example, data storage and artificial intellect. This model has fundamentally changed many computer-related processes and found a wide application in the business environment, providing it more flexibility and regulation;
- the concept of the Internet of Things is becoming more and more widespread. Many things and processes are being automated nowadays, not only in the professional sphere, but also in everyday life, including even the simplest objects;
- due to the fact that customers are becoming very demanding, there is a tendency among large technology companies to become more attentive to their consumers, emphasizing the importance of hyper-personalization of the provided products and services.

In general, the Technology industry tendencies can be described as very optimistic. The market is actively growing, providing huge range of opportunities for its players. It is expected, that in 2019 the growth rate will be equal to 4%, that is enough sanguine. However, other forecasts vary from 1,5% till 6.5%. As it can be seen, the gap between negative and positive expectations is quite big. Positive scenario will take place, if the increasing demand of the last two years maintains. The opposite view is based on the assumption of existing possibility, that customers at any moment may become saturated, that results in decreasing demand.

Figure 2 The Global Technology Industry's market size

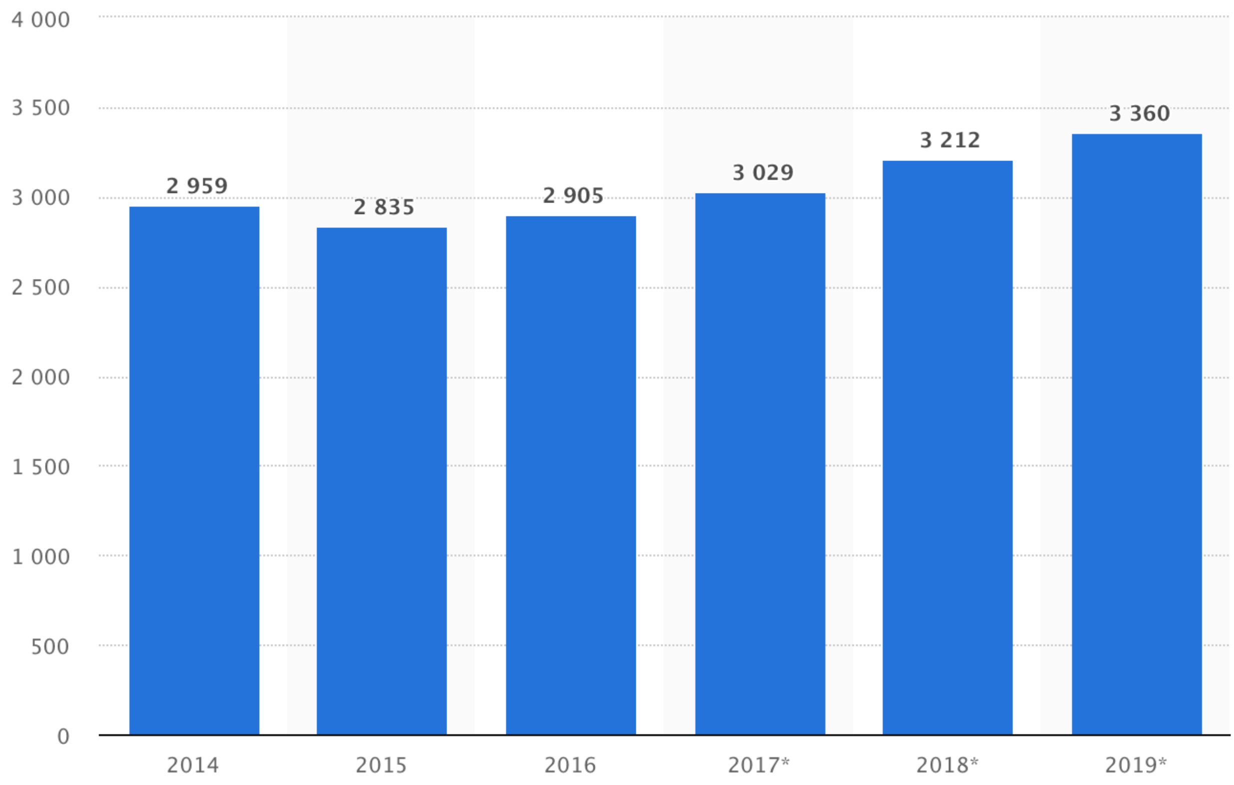


Source: Comptia, 2019

As it can be seen on the Figure 1, the United States of America represents the biggest market in the technology industry, with 31% of global market share respectively. This country is considered to possess the greatest influence in this field, especially in such spheres, as construction, merchandizing and transportation. Notwithstanding, that the US market is the biggest one in the world, the main costs for the research and development of new technologies occur in other areas, namely the Asia-Pacific region. It accounts for about 33% of money spent on IT and is mainly specialized in provision of infrastructure for IT programming and production of robotic technology. It is expected, that in the nearest future the APEC region will increase its market share and become a leader in IT industry in detriment to the markets with lower growth rate.

The main source of income for the industry is large orders, that are usually placed by governmental organizations and big corporations. Earnings from households are slightly inferior in profitability, but also is the main source of cash inflow. However, it is difficult to identify which type of these technologies are more used in business or personal life, as nowadays there is a tendency towards a fuzziness of these two spheres. (Comptia, 2019)

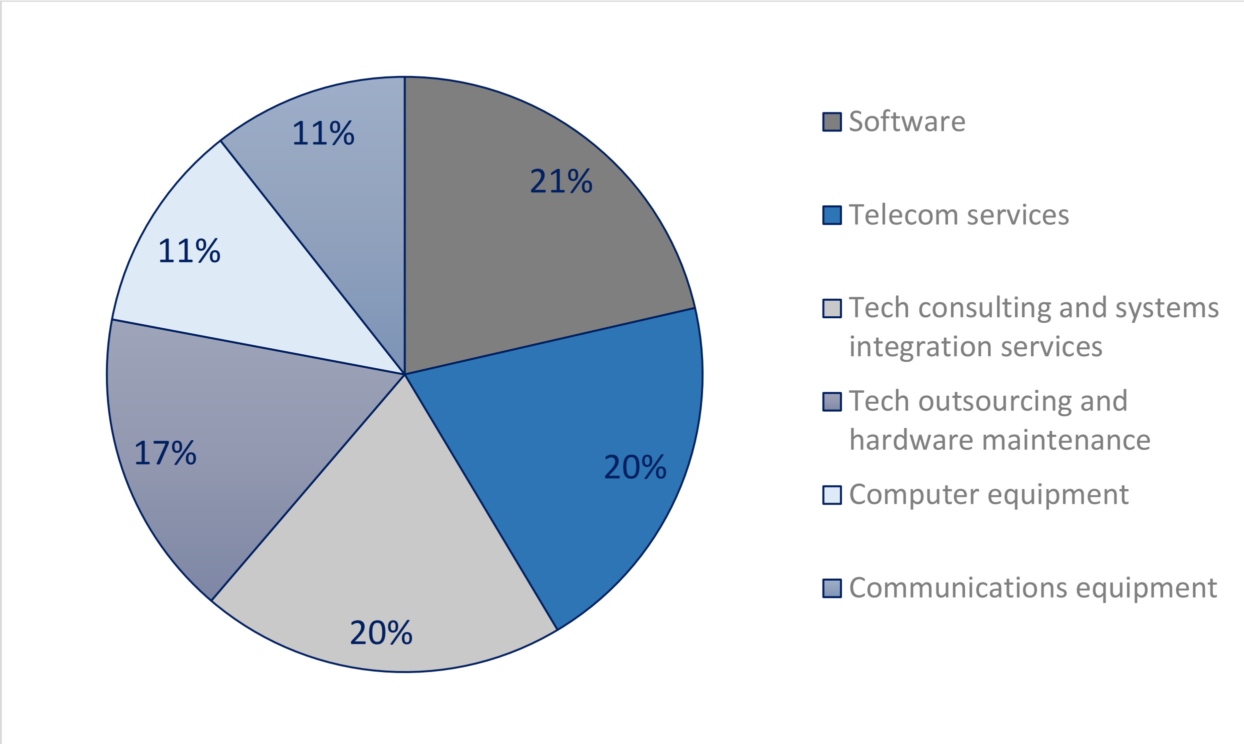
Figure 3 The Global Technology Industry, Retail Value Sales, US bln.



Source: Euromonitor International, 2019

The Figure 2 demonstrates, that the Global Technology Industry is characterized by steady growth and high volume of sales.

Figure 4 The Global Technology market size by product type in 2018, US bln.



Source: Compiled by the author base on Statista, 2019

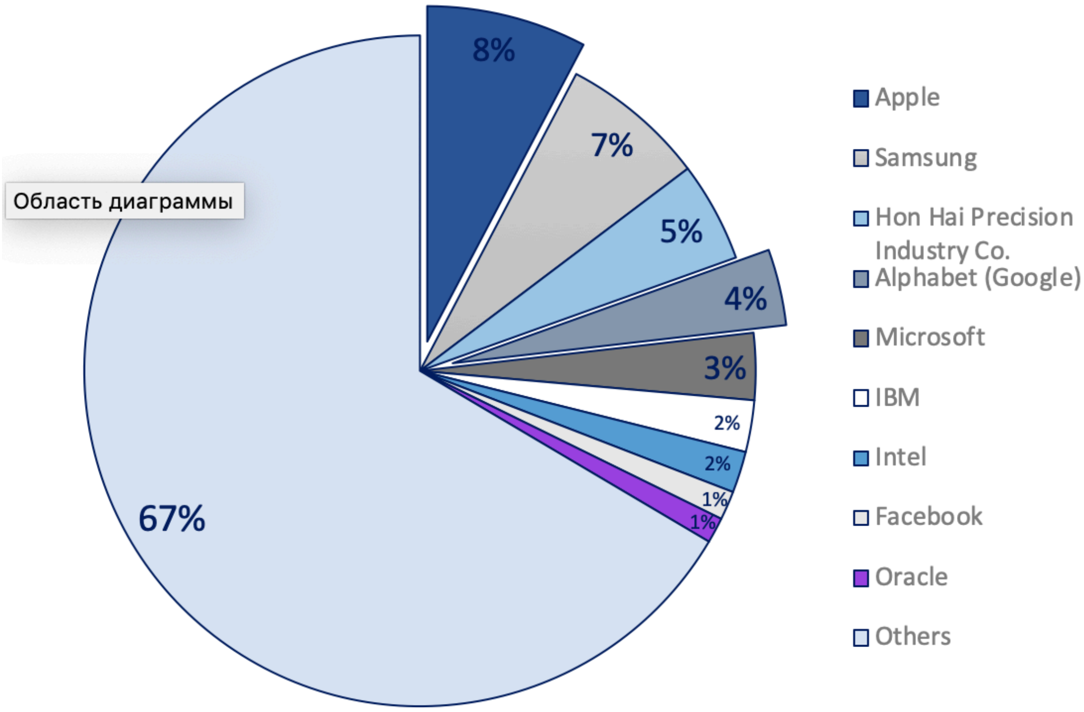
According to the Figure 3, the Global Technology sector includes six product types:

- Software products, that is the most consumed product category on the technology market, with 21% respectively. The most powerful company, providing this type of products, is Google;
- Telecom service, with 20% of consumption on the technology market;
- Tech consulting and systems integration services, with 20% of consumption on the technology market;
- Tech outsourcing and hardware maintenance, with 17% of consumption on the technology market;
- Computer equipment, with 11% of consumption on the technology market;

- Communications equipment, with 11% of consumption on the technology market.

Computer and communications equipment are sometimes produced by one company, and in this case this product category accounts for 22%, and the leader in this sector is Apple.

Figure 5 The Global Technology Industry by Companies, 2018



Source: Compiled by the author base on Euromonitor International, 2019

As for the main players of the Global Technology Industry, they are Apple (with \$963 bln market value), Samsung (with \$222 bln market value), Alphabet (with \$886 bln market value), Microsoft (with \$995 bln market value) and etc. It can be seen, that the biggest global businesses are mainly originated from the USA. But it is important to point out, that the Figure 4 demonstrates market share of each company in the Global Technology sector in general, but concerning each product type category of the market these companies share will be much bigger. In some cases, these firms have unprecedented power, that allow them to behave as they wish.

In the context of the existence of large global technology companies, that frequently use anticompetitive practices, it has become a subject for a wide discussion. Tech-giants like Facebook, Amazon, Google and Apple strive to get an absolute monopoly over the market, leaving little chance and opportunities for development of their smaller rivals. Despite all the benefits provided by these companies thanks to their latest technologies, greatly facilitating lives of people, in the competition struggle they sometimes tend to use anti-competitive practices in order to achieve their goals. Nowadays, such unethical behavior of global technology companies has become a topic for a broad discussion, especially concerning “Big Tech” companies (Google, Amazon, Apple, Facebook, Microsoft). Many politicians are ready to declare war to these violators of the rules of fair competition and try to tighten the regulation in the technology sector as much as possible, for example during the last 5 years there was a set of penalties imposed by the European Committee on global technology players. However, at the same time they recognize, that it is important not to overreact, that may lead to the collapse of these companies.

Antitrust regulation of the technology companies has to take into account the specifics of this market. In contrast to other industries, most technology firms provide their eminent services for free (for example, Facebook Messenger) or even specially reduce prices on their products, while antitrust legislation in most countries is aimed against companies, that intentionally increase their prices and infringe on consumer rights. Most antitrust legislations do not regulate monopolies, that are achieved by the tech giants with their own efforts, that allows them to dictate their rules on the market without breaking the laws. This situation has a negative impact on the state of small local companies. According to the analysis carried out by the Brookings Institution, there is a tendency of declining willingness among people (especially in the USA) to establish a new technological company, that is a result of the experienced fear of big players and may lead to a decreasing innovation level.

One of the key concerns is the fact, that most global technological companies sell not only products, but also services. For example, some of them provide online platforms, where they place their products and also allow small companies to use it for the promotion of their goods, thereby global giants have an opportunity to gather information about their competitors' business operations. For example, on Amazon platform a customer can find not only Amazon products, but also goods made by other smaller companies. On the one hand, due to its worldwide fame the global company gives small local companies a chance to cover more customers, but on the other hand Amazon can collect confidential information about these companies and use in its own interests, abusing trust of other firms and its dominant position. (Taneja, 2018)

In 2014 Peter Theil, who is a founding member of PayPal, publicly declared, that the main goal of global technological companies was to create an absolute monopoly on the market. He argued, that competition had a negative impact for a company's profit, because it led to its restriction. The entrepreneur admitted, that in their desire to get as much market power as possible, captains of the technological industry were ready to neglect the interest of their smaller rivals. At the same time, he pointed out that such monopolists could bring a lot of benefits, by paying due attention to the creation of new innovative technologies and by being creative enough.

However, most scientists do not share Peter Theil's point of view. They consider the tendency toward monopolization of the technology industry to be like an oncological illness for a capitalism, as it decreases market concentration, leads to abuse of power and in future may result in less innovations, while free competition implies a continuous improvement of market players' activities in order to meet customers' demand. The main criticism is driven by the USA competition legislation. As the country of origin of such global technological giants, as Apple, Microsoft, Google and Amazon, it is accused of allowing these companies to concentrate too much power in their hands. The stunning success of the social network Facebook can be considered as a confirmation of this statement. In a relatively short time (15 years), the company has managed to become the key player of the social media market, collecting and distributing confidential information of its users and using different tools, that cause mental habituation to the social network platform. It strives to acquire its most potential rivals, like Instagram and WhatsApp, that allows it to maintain a leading position on the market. (Wadhwa, 2019)

So, there are two main ways of manifestation of anticompetitive behavior of global technological companies:

- first of all, the companies, that provide platforms for the sale of products, sometimes prioritize the promotion of the goods produced by them (for example this method is actively used by Apple on the App Store platform), instead of demonstrating a fair and impartial approach to the sale of all goods regardless of the manufacturer. In this regard, it was proposed to allow these companies either to deal only with the trade of their own products or to provide a platform for the sale of goods only to outside organizations;
- secondly, acquisition of probable rivals by global technological giants makes it difficult for small businesses, that have just entered the market, to rival on fair conditions. In this regard, it was proposed to tighten requirements and control of mergers and acquisitions conducted by large companies, paying due attention to the impact it may have for the small businesses.

Concerning such method of dealing with anticompetitive behavior as improvement legislative regulation of business activities of global technological companies, it should be pointed out, that it is very important to build a single legislative framework to control all kinds of manifestations of such behavior. The main reason for it is that large global firms have various business models and consequently present different threats to the competition. For example, the methods used by Facebook in his quest to get rid of competitors, vary from the methods used by Amazon, which in its turn have nothing familiar with Apple. But at the same time there is a possibility that, for example, the rule applied to Amazon, as the prohibition of competition with the companies using its platform, may negatively affect other technological companies: for example, it may lead to the failure with the usage of online books in Apple's application iTunes on their devices. That is why it is very vital to get to the bottom of the issue, to take into the account the differences between the companies and to approach the solution of each case of anticompetitive behavior with great care.

Recently, many global technological companies began to actively develop such direction of business as cloud computing. After the analysis of this market, it can be seen that prices are low and it is quite competitive, however there are very few companies that provide this kind of services, and predominantly it is large global companies. The problem is that too much power is concentrated in the hands of these few companies, as they can influence activities of many businesses, that have their cloud system, or have access to the storing confidential information. So, regulation of cloud computing should be one of the prioritized directions for the development of antitrust legislation.

An additional reason for accusing global technological companies for the abuse of power was recent situation with Facebook. One of its users wrote several posts, where he called for an end to influence and power of the social network, but after a short period of time, the message was removed by the site's administration. This case received a wide response and served as a vivid example of the excessive power of the company over the information transmitted via the Internet. (Roose, 2019)

Having analyzed all the information stated above, it can be concluded, that today large global technological companies exert too much pressure on the market, dictating their conditions and rules of doing business and leaving no chance for success to small companies and it does not matter, how talented these businesses are. This fact explains all the excitement around the issue of improving legislation for the regulation of tech giants and depriving them of the power they possess now.

The analysis of recent cases of anti-competitive practices implied by two technological giants, Apple and Google, will help to better understand the influence of such behavior on their small local businesses.

2.2 THE CASE STUDY OF APPLE

In the modern world it is quite difficult to find a person who have never heard about Apple.

Apple is a global technology enterprise, that is originated from the United States of America with the head office in Cupertino, California. It was established in 1976 by Steve Jobs, Ronald Wayne and Steve Wozniak. Nowadays it is one of the most popular producers of consumer electronics in the world. The company offers a wide range of products:

- smartphones;
- laptop;
- computers;
- earphones;
- digital watch;
- software;
- etc.

Nowadays, it is considered to be one of the most innovative companies in the technology sector.

Despite all the positive aspects of the company, it is very often a subject for criticism because of its manner to conduct business, that is very often considered to be anti-competitive and includes such actions, as:

- creation of obstacles for a successful operation of its smaller rivals;
- unscrupulous company policy;
- electronic junk and ecological damage;
- attempts to establish close ties with governments of different countries in order to promote the company’s own interests.

The list of cases when the company (Apple) was accused of breaking a fair competition law is very impressive and here are only the main of them:

- In 2013 the company launched a new model of computer Retina display MacBook Pro. The specific future of a new laptop is that in the case of breakage of the screen, in order to repair the device, it is necessary to buy a new parts and screen, that are produced only by Apple company and in general it is even easier to buy a new device from the company, than repair the old one. Moreover, computer accessories (for example, a charger) are also required to be purchased from this company, as this model does not support products of other firms. The production of Retina display MacBook Pro is regarded as an attempt to make consumers buy equipment made only by Apple and buy new laptops in the case of breakage. The analysis demonstrates that this laptop model is repaired very rarely due to the difficulties listed above;
- In 2003 the European Union Commission charged Apple of breaking the EU free-trade law, which implies, that consumers from the countries-members of the European Union have the right to purchase any good or service without restrictions between themselves. However, Apple's application iTunes put a limitation on this right, making its customers to download music only on its official web-site and allowing to make purchases in the country from which the payment comes from, resulting in the fact that sometimes people have to pay higher prices. The EU Commission obliged the company to stop this anticompetitive practice, however Apple did not admit any guilt;
- The release of new software iOS4 launched a storm of criticism, as it did not support applications, that were created on the bases of platforms that were not endorsed by the company, and as a result they could not be used on Apple devices. The group of prohibited programs included application of Adore Flash and other popular apps. This led to the investigation into the fact, that the company used illegal competition methods, harming the market. Although it was not possible to confirm fully confirm this accusation, it hit the reputation of the company;

- Another situation, that received a wide resonance among public, was a case with the application Google Voice. Apple decided not to allow the usage of this application, as, according to the company, it prevented an effective usage of Apple's inherent voice and other programs, because while using Google voice, it was not possible to use phones native programs, as the user was sent directly apps produced by Google. There was a lot of debate about this, but in the end the company was told to remove the restriction on downloading the program;
- Etc.

As it can be seen, Apple quite often draws attention with its anticompetitive behavior and there are a lot of cases with its participation. In order to find out, how these anticompetitive practices affect small local companies, it would be better to take a deeper analysis of two recent cases.

The first case took place in August 2018. Japan Fair Trade Commission accuses Apple of applying anticompetitive practices against Yahoo Japan's Games Plus platform. Yahoo Japan is a joint enterprise of American company Yahoo and Japan Softbank, that was established in 1995. On this company's game platform, launched in 2017, users can play different games both for free and money on different devises and there is no need to download any special applications. Yahoo Japan's Games Plus platform initially had a lot of partners among game producers, both world-famous and small local companies. Moreover, Japan Yahoo company was able to collect information about its users in order to enhance its advertising. It even planned to implement the same platform model in other spheres and create a data economy, that is very uncommon for Japan. It was expected that it would become increasingly popular and would pose a significant threat to Apple's App Store in the nearest future. But the situation changed due to emerged later problems. According to the indictment, Apple company instigated game producers not to have partnership relations with Yahoo under the threat that otherwise they would not be allowed to place their games in App Store, that subsequently led to the outflow of the Japan subsidiary's partners. In this regard the only thing left for

Yahoo Japan was to make a decision on a sharp reduction in the budget. (Silver, 2018)

Japan Fair Trade Commission found the situation suspicious and began an investigation, suspecting Apple company of illegal interference in Yahoo Japan's business activities. These suspicions are also based on the fact, that shortly before this case, Apple's head or retail department Angela Ahrendts informed, that the American tech giant was going to increase sufficiently the number of retail stores and to focus on the app market, that demonstrated high hopes for growth (having reached about $13 billion in 2017) in the future and was expected to bring high profits. That is why Yahoo Japan's Games Plus platform was a serious competitor on this market and could jeopardize the achievement of Apple's goals. (Kanematsu, 2018)

However, the investigation is still in process and Apple company's offense has not been proven, but most experts agree, that the US tech producer abused it power and influenced the market situation, that is a manifestation of anticompetitive behavior.

With a closer look at this case, it can be seen that there are much more victims of Apple's violation of the rules of fair competition, as it had negative consequences not only for Yahoo Japan, but also for game producers, which were partners of the platform. It is important to point out, that this company cooperates with large famous game producing companies, as well as with small local Japan tech businesses. In regard to Apple's assumed anticompetitive practices, small local companies face several problems:

- First of all, there was an assumed pressure and intimidation from Apple. As Japan Fair Trade Commission supposes, the US tech leader threatened these companies that it would close down access to App Store. It could have significant consequences for local game producers, as this online shop is one of the most popular platforms in the world, where customers buy and download games. The threat had the desired effect among about 30% of local game producing businesses, but it brought huge losses on the Japan market, as these companies lost one of the most important and promising sources of income not by choice.

- Other group of local small companies did not give in to the threats and decided to continue partnership with Yahoo Japan's Games Plus. However, due to the fact, that with decrease in revenue Yahoo Japan had to reduce budget expenditures, the company stopped partnerships with many local game producers, as it decided that focusing on larger and more famous partners would be reasonable. In other words, these companies "left out in the cold", as they refused to deal with Apple and we rejected by the Japan platform.
- Small local games producers also had to deal with such problem, as the loss of a good platform for implementation of marketing strategy. Yahoo's game platform was a good way for many local companies (that are in some cases start-ups), to become more famous and attract more audience.

So, this case demonstrates, that negative consequences of global company's anticompetitive practices affect not only for the direct rival, but also for small local non-rival companies.

Another most recent case when Apple was accused of anticompetitive behavior is the Spotify's claim to the European Commission about iPhone producer's unethical practices against music application developers. Spotify is a Swedish music platform, that allows its users to listen different music and other audio recordings. It argues that Apple's products have unfair advantage on App Store platform, by charging the so called "discriminatory" or "Apple" 30% tax on each subscription and other money transaction to the non-Apple applications. It is assumed that it is done in order to promote its own programs, like Apple Music, by making other companies to increase prices for their applications, while keeping Apple's application prices relatively low. According to Spotify's claim, if any company refuses to pay this fee, the US tech producer uses a number of restrictions, that are aimed at making the usage of this company's app on any of Apple's device (electronic watch, phone, laptop) as difficult as possible, for example by blocking automatic updates, that are aimed at improving the functioning of the application. (Russell, 2019)

In its statement, Spotify asks the European Commission to ensure fair competition, that would assume the following: (Page, 2019)

- first of all, all companies and their respective applications should be provided with fair terms for their functioning, that should not be affected by the fact of ownership of the platform (in this case, App Store). If there are any restrictions or benefits, they should be applied to everybody.
- then, users should have a right to choose a system of payment, in order not to be a tool in a powerful company's anticompetitive practices;
- at last, app stores should be deprived of the right to manage a system of communication between services and users.

So, the main goal of this claim is to provide equal opportunities for large and small companies. One of the main concerns of the European Commission in the case of confirmation of this charge is a huge negative effect, that such anticompetitive behavior can have on small companies using AppStore, as because of their relative weakness in comparison with global giants, these companies have to put up with this unfair situation. The Commission suspects, that such situation can lead to a market competition decrease. It assumes, that if such harassment of small companies continues, in the nearest future there will be less new companies in the technology industry, as they will have no incentives to enter the tech market, that is almost monopolized by big global players. That is why the European Commission decided to analyze the case very accurately and weight all the consequences of assumed anti-competitive Apple company behavior.

Phillip Shoemaker, who was a former app approval in the US iPhone producing company, also expresses his concerns about Apple's business practices. He admits, that the company overly abuses its leading position, without letting small companies to prove themselves, that could benefit the whole technology industry. He thinks, that Apple "experiences fear of healthy and fair competition", that is why the company always “strives to control all new market entrants and, if it is possible, to get rid of them”. (Vincent, 2019)

So, summing up two cases of Apple, it can be seen the current policy of the company is very harmful for the competition and is considered by many economists and regulators to be anti-competitive. Small local companies may not withstand such strong pressure from global technology companies. These cases demonstrate, that anticompetitive behavior of tech giants has negative consequences not only for small direct rivals (as in the second case), but also for small non-rival companies. Such brutal displacement of small local companies from the technology market may lead to the disastrous result, such as lower innovation level, market monopolization, that leads to decreasing quality of produced goods and to establishment of higher prices.

In the end, it should not be forgotten, that all the current global tech leaders were small local companies at the beginning of their pass.

2.3 THE CASE STUDY OF GOOGLE

Google company matches Apple in popularity and fame in the technology industry.

It is a global corporation, established by two students, Larry Page and Sergey Brin in 1998, that provides services and products in the Internet such, as:

- world's most using search server;
- cloud computing,
- software program;
- platform for online promotion;
- etc.

In 2015 Google made a structural reorganization and Alphabet Inc. has become its head company.

Nowadays, Google offers a wide range of services:

- the main company's service is its search engine – Google Search, that is used by 70% of the Internet users around the world;
- services that facilitate business activities and increase performance – Google Docs and Google slides;
- electronic mail service – Gmail;
- platform where users can share and watch videos – YouTube;
- cloud computing service – Google Drive;
- etc.

However, Google company matches Apple not only in popularity and fame, but also in the number of cases, when the company was accused of anticompetitive behavior.

The name of the company often appears in the articles on violations of the rules of fair competition. Until recently, the public strongly criticized the competition regulatory authorities (the US Federal Trade Commission and the European Commission) for permissiveness of the Google's actions. But now the situation has changed, as these bodies started actively investigate the harm of Big 4 companies (that also includes Google) for the technology industry. In 2018 the EU Commission even charged Google the recording $5 billion penalty. The company is accused in a number of anti-competitive practices:

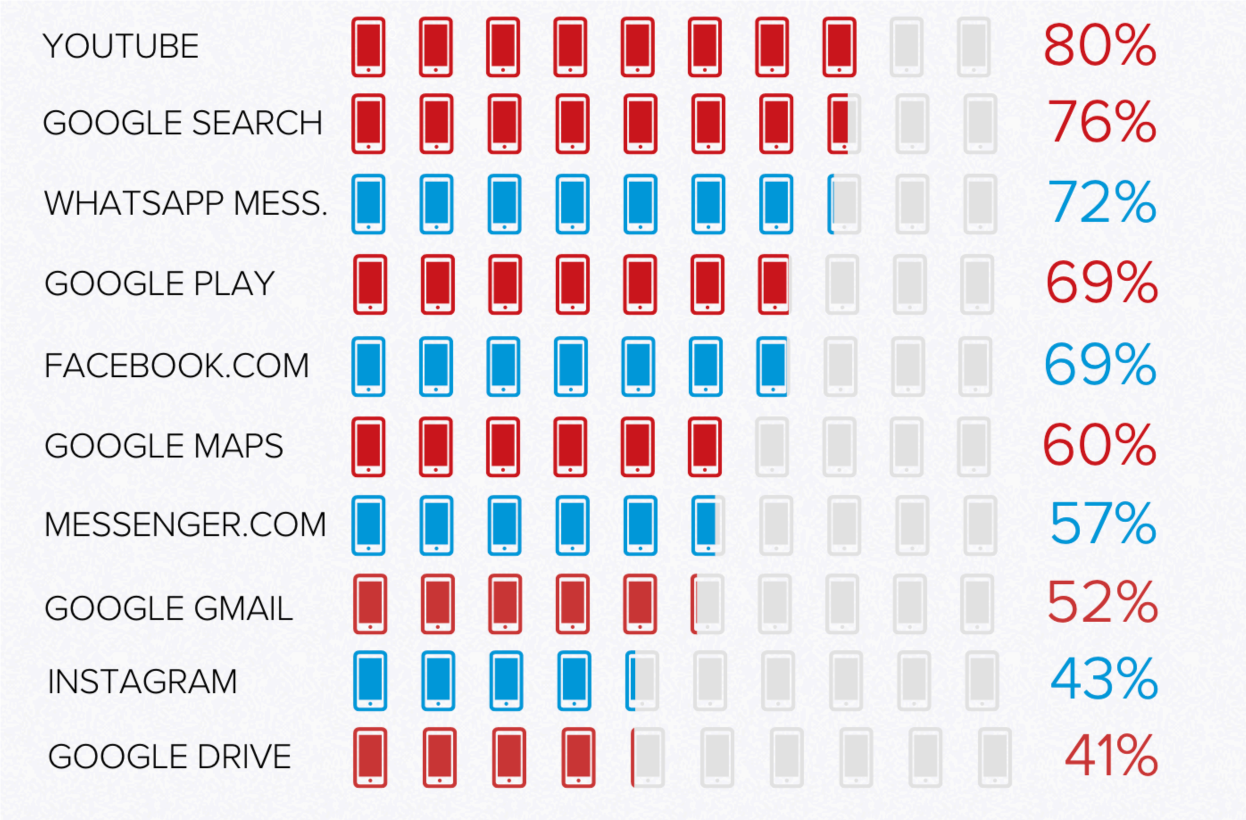
- first of all, the company is suspected in infringing the rights of small companies, by making them appear in the end of the list of results in Google's search engine and putting their larger competitors at the top of the list;
- imposition of unfair terms and requirements on its partners, such as prohibition to work with Google's direct competitors or making its partners install only its search engine on all their devices;
- collecting personal information about its huge number of users and using this information in the company's interests, that is considered by many companies as an abuse of market dominant position;
- etc.

In connection with the frequent cases of the company's accusations of dishonest and anti-competitive behavior, Google is under close supervision of the European Commission. One of the reasons of this careful attention to the global company is the fact, that there is every reason to blame Google for the negative effect on small local companies, as nowadays there is a decrease in the level of competition from small businesses on the software market. The detailed analysis of some cases will prove this statement about the danger posed to small local businesses by global corporations.

The case with Android is one of the most famous examples of Google's accusation in anticompetitive behavior. More than 4/5 of Android devices are equipped with Google search engine, that makes it a key partner of the company. But in 2017 Google was suspected of abuse of power. The fact is that the company, overusing its position as a search engine leader, forced Android to give up partnership with its competitors – other search engines providers. After the European Committee investigation, the company's guilt was proven and Google was fined $5 billion, that is the highest penalty charged by this organization.

(Satariano & Nicas, 2018) The global technology company used Android as a mean to strengthen its position among competitors, depriving them of opportunity to compete on equal terms, that is considered as a violation of the principles of fair competition. The European Committee thinks, that requirement to device producers to release their products with already installed Google Chrome and Search in order to get access to other programs has a negative impact for competition, because smaller companies and start-ups under such conditions have very little chance to stand the competition. The main reason is that when a user buys a new device, for example a phone, and discovers that there are already installed programs on the phone, the probability that this user will mainly turn to these applications greatly increases. (Bostoen, 2018) That is why the company is required to stop linking Google play platform with its other applications. Google used Android as an intermediary between its products and phone users. There is an assumption, that Android will be made to open its closed "ecosystem", that mostly means reduction of Google's main source of profit – its advertising business. This will be a consequence of the fact, that when other companies are given the same access to the Android operating system, it will negatively affect the profitability of advertisement placed in Google, as a result of probability, that people may start may start using programs (in particular search engines) of other companies. However, there is also another opinion on this matter. Some analysts think, that the market power of Google is so huge, that even in the case if its programs are not pre-installed on Android devices, it will not harm the company in the nearest future much, as people are so used to its search engine, that they will use it unconsciously. (D'Onfro, 2018). The Figure 6 supports this statement, demonstrating the top used apps and how popular the company's applications are, highlighting in red Google's services. (Scott, 2018)

Figure 6 The most used applications in the EU



Source: ComScore, 2017

This case demonstrates, that forcing Android company to pre-install its applications on all devices, Google deliberately drove competitors out of the market. The fact that in order to get access to all the services of the company, it is required to launch smartphones with already installed Google Chrome and Search, has a negative influence for other search engine producers, including local ones, as they are deprived of the opportunity to have access to the most popular mobile operating system. Local search rivals are mainly ignored due to a lack of popularity. If there are fair terms for all companies and free access to all devices, local small tech producers have greater chance to survive in conditions of tough competition.

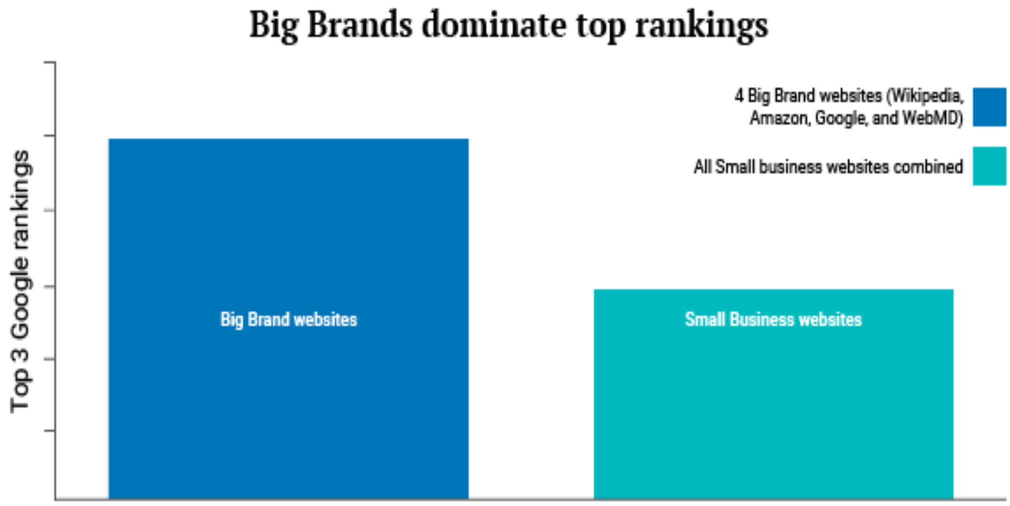
In 2019 the European Commission made a decision on levying additional penalty on Google in the case of charges of abuse of its leader position in the field of advertising. (Appendix 1) The company was accused of forcing websites not to cooperate with its competitors, other search engine providers. Being a leader in the field of online advertising, Google made third-party websites refuse to deal with its rivals or deal on favorable for the global giant terms on the issues of the placement of their advertisement on these sites. In accordance with the EU Commission conclusion, Google pursued this anti-competitive policy in several stages: (Antitrust: Commission fines Google €1.49 billion for abusive practices in online advertising, 2019)

- in the beginning, the company required to be the only search engine that are promoted on the websites of its partners and had exclusivity clauses in all its agreements signed by both parties;
- than this treaty provision was substituted by the requirement to third-party websites to leave for this company the best places (that are attracting more attention of visitors) for its commercials (for example, in the top of the page). This means, that Google's rivals had no chance to put their advertisements in the most profitable places on a large number of sites;
- on the final stage, the company made an additional provision in the contract, in accordance with which in order to make any modification in the advertisements of other search engines, the websites were required to get an approval from Google. This condition allowed company to influence it direct competitors.

The Commission has proved that the company has broken the fair competition rules (Appendix 1 and 2) and the negative influence of such actions on the competition, as Google's rivals (does not matter big or small) were deprived of the opportunity to be promoted on many websites in the Internet and did not have a chance in many cases to get their target audience due to imposed restrictions, that may have had led to a smaller number of users reached.

The fairness of the Google's ranking system is also questioned. The company states, that its search engine ranks the results basing on such factor, as its relativeness to the topic. It is claimed, that Google's search algorithm is able almost instantly to analyze the entire volume of information on a certain topic, point out the most suitable and high-quality results, and in accordance with these factors these search results are placed at the top of the page. However, in fact things are different. It is assumed, that the search engine results are closely corelate with the brand. The bigger the brand, the higher rank it gets. As a result, Google search engine does not pay due attention to small business websites, even if the content provided by this website is much better.

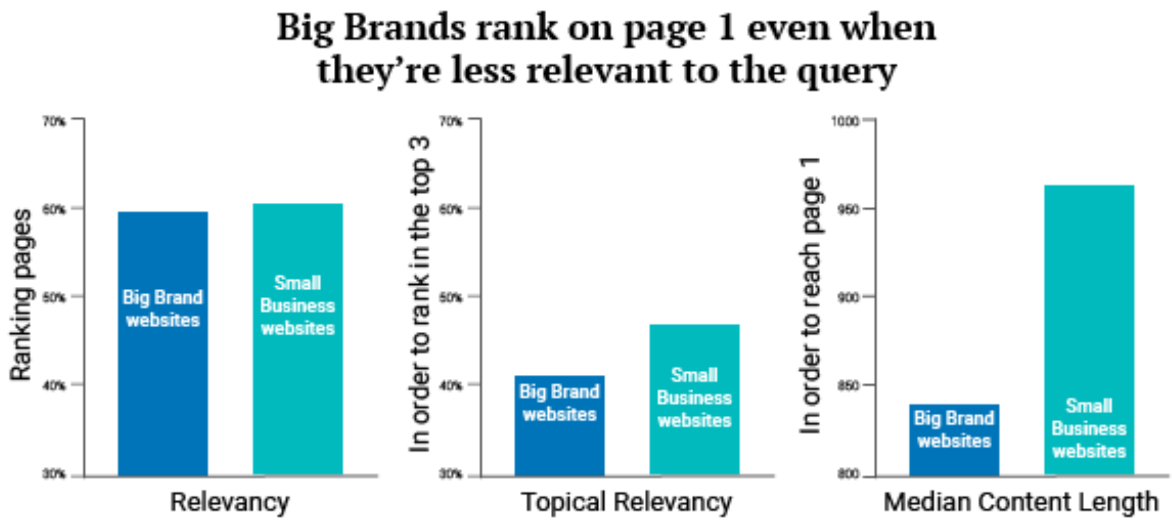
Figure 7 Big Firms dominate search engine results



Source: Bentley, 2018

As it is presented on the Figure 6, four global brand websites are much more likely to appear in the ranking of the best websites, than all the websites of small businesses taken together. Moreover, it does not even mean, that the content provided by the big firms' websites is much better, alluding to the fact, that Google's Search engine promotes more the websites of big brands. The figure 7 provides additional basis for a such statement.

Figure 8 Big brands rank on page 1 even when they are less relevant to the query

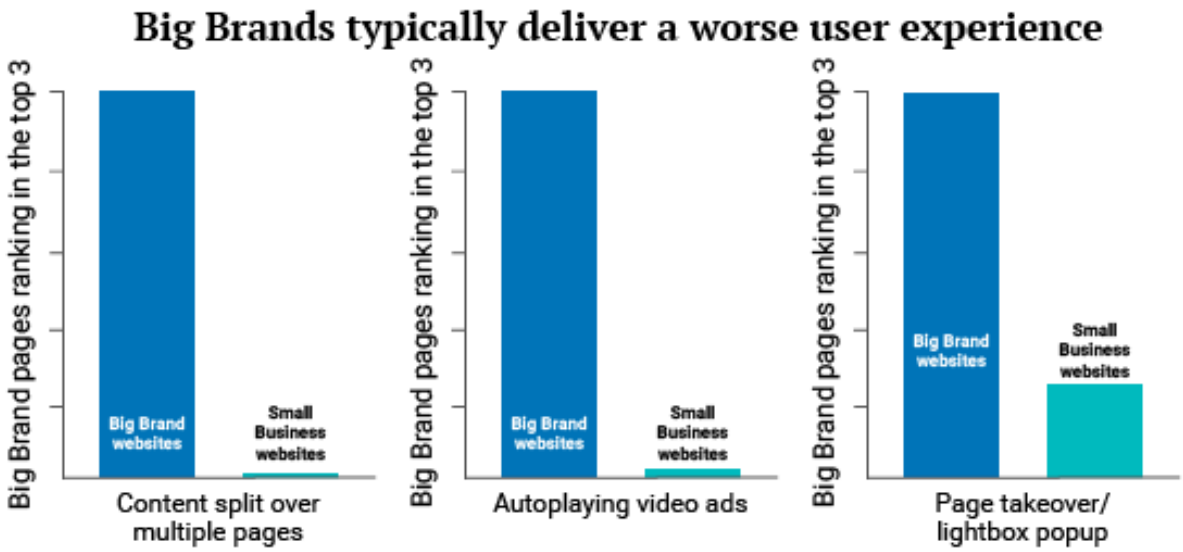


Source: Bentley, 2018

These three figures demonstrate unfair conditions set for small websites:

- the first graph shows, that the information provided by big firms' websites is by about 4% less pertinent, than provided by smaller rivals on the same topic;
- the second graph shows, that Google's topical relevance requirements for small information providers are much stricter than for large websites (by about 13%);
- the third graph shows, that small business websites are required to provide larger amount of information (by about 13%) in order to get to the first page of Google's search engine results, comparing with their bigger rivals.

Figure 9 Big brands typically deliver a worse user experience



Source: Bentley, 2018

According to the figure 8, in most cases smaller websites usually provide much better user experience, than the top ranked web-sited do, with lesser a portion of popups and irritating advertisements.

So, it can be concluded that Google set unequal conditions for small and big information providers, not allowing small brand websites to get access to the users. (Bentley, 2018)

The analysis of these cases demonstrates the negative influence of anti-competitive practice of global technological leaders Google and Apple on their local small local rivals, that have very little chance to survive in such unfair and tough conditions, as they have to face such problems, as lower profits, lack of partnerships with many significant firms, the inability to obtain access to consumers.

DISCUSSION, RESULTS AND RECOMMENDATIONS

3.1 FINDINGS ON ANTICOMPETITIVE BEHAVIOR OF GLOBAL COMPANIES ON SMALL LOCAL BUSINESSES

In the modern it is becoming increasingly difficult for small local businesses to prove themselves and to carve out their niche on the market. The main reason for this is the emergence of a single global economy and global rivalry and these facts have led to the tightening competition. In such circumstances local companies have to enter into competition struggle with large global companies, which have a number of advantages over them, like larger amount of capital, the economic power, economies of scale, possession of advanced technologies, worldwide fame. At the same time, local companies also have several advantages, like the local market specific knowledge, higher degree of flexibility to the quickly changing customer demand, greater proximity to the customer. In the terms of fair competition, such global companies' presence may bring certain benefits to local players. The main of them is the "spillover effect", that is according to Caves (1974), a transfer of knowledge from a global company to its local partner.

However, as it was mentioned in this paper, some global companies implement anticompetitive practices, such as tying, dumping, refusal to deal, limit pricing, price-fixing arrangements, etc. (OECD, 2005) Such behavior has a direct and negative influence on local small businesses. Today there is a sharp decrease in the number of small local businesses and scientist suggest, that one of the main reasons for it is abusing power of global companies and the analysis of Apple and Google cases have proved this point of view.

As it was seen in the first case of Apple, actions taken by the global technology leader have led to disastrous consequences for local game manufacturers, leaving these companies without one of the most important and profit-generating partners - Yahoo Japan's Games Plus platform. This case provides an eye striking example of the fact, that the anticompetitive behavior of global companies influences not only its direct rival (Yahoo Japan's Games Plus platform), but also other local third-party organizations (local game producing companies). The second case of Apple demonstrates, how global companies can impose unfair conditions on the local market players. Charging the 30% "Apple tax" on each purchase of application on the AppStore platform, that makes app produce to increase prices, the foreign giant tries to promote its own applications, the purchase of which was not levied with taxes. This case is the example of how global company, abusing its power, make local and other companies to increase their prices, that results in reducing number of customers.

The first case of Google provides an example of how the global company try to restrict its rivals access to the devices with Android operating system. By requiring produce all new devices with already installed Google Chrome and Search in order to get access to other applications, the global company deprived other local search engine providers of a large number of users, as Android devices owners in most cases got used to Google apple and demonstrated little incentives to use other companies' applications. The second case of Google demonstrates, how the global company did not allow its local rivals to place their advertisements on the websites-partners of Google. If even the company allowed to do so, it required that the most visible places were reserved for Google's advertisements. Due to this fact, the advertisements of its local rivals were much less effective and profitable.

The analyzes of these cases demonstrate how detrimental the impact of anticompetitive behavior of global companies is for small local companies, resulting in such consequences, as lower profits, lack of partnerships with many firms, that are necessary for their functioning, the inability to obtain access to consumers. With the further existence of such a scenario, the small local companies will be under the threat of extinction.

3.2 RECOMMENDATIONS FOR SMALL LOCAL BUSINESSES PROTECTION

As it was mentioned above, in the presence of global companies' anticompetitive behavior small local businesses are under the threat of extinction, as there is already a downturn tendency in the number of these businesses. It should be admitted, that the role of small companies is extremely important. First of all, due to the fact, that in some sectors small local companies provide more value, due to their small scale of operation and high level of responsiveness to the specific needs of customers. Secondly, small companies are of high importance for the innovation creation processes. In accordance with a number of analysis, the markets with a greater number of small players demonstrate higher level of innovativeness, than those markets that are occupied by large players. These companies pay more attention to innovations than their larger rivals, because they try to expand their business and acquire new customers. Thirdly, due to the existence of the small local companies, the poverty rate falls and the share of middle class increases.

That is why it is very important to pay enough attention to the protection of small local companies.

So, the first recommendation would be given to small local businesses: in order to decrease the negative influences of anti-competitive behavior of global companies it is recommended to decrease small companies' dependence on these companies. If in the case of Apple and Spotify, the local companies did not so much rely on App Store platform, these businesses would not have to put up with tax payments and other restrictions imposed on them. That is why is vital for these companies to develop their own channels for reaching final customers.

The second recommendation concern the regulatory ideology. As it was mentioned above the regulatory authorities earlier controlled the competition in order to protect small businesses against the repressions from their larger rivals, but then they changed their attitude and started to monitor the competition in order to protect the consumers' rights. Many analysts accuse this change of focus in the fact, that global companies nowadays possess such great power, as the negative consequences of this power, concentrated in the hands of several market players, for small companies are taken into account only after their emergence. Governments are also accused of favoring global companies and turning a blind eye to their violations of law, as they regard the entrance of global companies on the local markets to be a source of FDI. It is highly recommended to shift the attention towards the small local businesses again, as they need the government support in order to survive in a such tough competition struggle. Government authorities should be able to distinguish promising local companies and subsidize them, especially if there is a global company on the market.

The case studies demonstrate, that no matter how big the fine is, its imposition does not prevent the global companies from using unfair anticompetitive practices and they continue to implement them even after its payment (Google and Apple already have impressive lists of fines paid for huge sums). That is why the third recommendation is to toughen the punishment of global companies. For example, maybe the temporary blocking of business operations of global company in the country or region where fair competition rules were violated would be a more significant deterrent. Another way is to increase the severity of punishment as each new violation is identified. However, it is important not to overreact at the same time, and not to make the pursuit of global companies the main goal of competition regulation.

3.3 RECOMMENDATIONS FOR FUTURE RESEARCHES

During the research of influence of anticompetitive behavior of global companies on small local businesses the following issue was found out: there is plenty of literature concerning the anticompetitive behavior of global companies and competition between global and local businesses, that allow to get a clear understanding of this process. However, there were some difficulties in the process of searching information about the impact of such behavior on local small businesses, as, first of all, this topic is not much investigated in the academic literature, and secondly, even when it was possible to find the information, it was mainly about the consequences of global companies' anticompetitive behavior for big local businesses and very little attention was paid to small local companies.

That is why it is recommended to explore the impact of the fair competition rules violation by global companies on small local businesses and provide this information in regard of each industry, taking into account the peculiarities of conducting business there.

It is also recommended to investigate in the theoretical literature the consequences of such behavior not only for local small businesses, that are direct competitors of global companies, but also for local non-competing businesses, as the case with Apple demonstrates, that third-party organizations very often are also the victims of global companies' anticompetitive practices.

Moreover, the thorough analyses of the cases of Apple and Google revealed, that open sources lack detailed information concerning the influence of these companies' rules violations consequences for big and small local companies. There is also lack of detailed information about these global companies' local partners, they are mentioned just in general, without names. Due to this reason it is recommended for the analysts studying these companies to pay attention to this problem and to solve it.

CONCLUSION

Globalization leads to increasing competition and in order to win in this struggle many companies resort to unfair practices. Global companies are not exception and the technology industry provides a striking example of their arbitrariness. “Big Tech” companies abuse their power and try to establish their own rules on the market, infringing on the right of small local businesses. It is believed that due to this reason there is a sharp decrease in the number of small local businesses, that may lead to such consequences, as lower innovation rate, higher prices, lower quality of products, unsatisfied specific needs, etc.

In general, basing on the analysis of the academic literature, different articles and case studies of Apple and Google, it was identified that anticompetitive behavior of global companies negatively affect small local businesses, resulting in lower profits, lack of partnerships with many firms, that are necessary for their functioning, the inability to obtain access to consumers, etc.

This research paper now allows to confirm or reject the following hypothesis:

1. *“Anticompetitive practices of global companies have negative consequences not only for their direct local competitors, but also for local third-party businesses”.* The analysis of the Apple and Yahoo Japan’s Games Plus case demonstrates, that among the victims of Apple’s anticompetitive practices are also small local game producers, that had to refuse to cooperate with Yahoo Japan or were refused to deal due to budget cuts. Although Apple’s actions were directed against Yahoo Japan, but they also have negative consequences for local third-party companies. So, the hypothesis 1 is approved.
2. *“Even after legislative intervention and suspension of anticompetitive behavior of global companies, local small companies continue to suffer the consequences of the violation of fair-competition rules”.* The analysis of the Google and Android case demonstrates, that even after the European Commission investigation and decision to stop pre-installation of Google’s

search engine and other applications on all Android's devices, Google's programs are still the most popular trend among Android devices owners. That is why it is reasonable to assume, that even when global companies stop implement anticompetitive practices, they continue to join the gained advantages, as well as the local companies continue to face negative consequences of such practices. Consequently, the hypothesis 2 is approved.

As for recommendations, it is expected that the following suggestions could prevent or at least to alleviate the consequences of anticompetitive behavior for small local businesses: 1) decrease small local businesses dependence on global companies; 2) change the regulatory ideology: to protect competition not only in the interests of consumers, but also in the interests of small businesses; 3) to toughen the punishment of global companies for the anticompetitive behavior, for example by temporary blocking of global company's business activities in the country or region where anticompetitive behavior takes place or by increasing the fine with each subsequent competition's rules violation.

Moreover, it is also advised for future researches to investigate the impact of anticompetitive behavior of global companies on local small businesses (not only competitors, but also third-party organizations) in the academic literature, taking into account the specifics of different sectors.

So, the importance of small local businesses should not be underestimated and it is very important to build friendly relations between local and small businesses, which allow them to share valuable information and experience with each other.

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APPENDICES

Appendix 1 - European Commission - Press release (Google uses abusive practice in online advertising)

Antitrust: Commission fines Google €1.49 billion for abusive practices in online advertising

Brussels, 20 March 2019

The European Commission has fined Google €1.49 billion for breaching EU antitrust rules. Google has abused its market dominance by imposing a number of restrictive clauses in contracts with third-party websites which prevented Google's rivals from placing their search adverts on these websites.

Commissioner Margrethe Vestager, in charge of competition policy, said: "Today the Commission has fined Google €1.49 billion for illegal misuse of its dominant position in the market for the brokering of online search adverts. Google has cemented its dominance in online search adverts and shielded itself from competitive pressure by imposing anti-competitive contractual restrictions on third-party websites. This is illegal under EU antitrust rules. The misconduct lasted over 10 years and denied other companies the possibility to compete on the merits and to innovate - and consumers the benefits of competition."

Google's strategy for online search advertising intermediation

Websites such as newspaper websites, blogs or travel sites aggregators often have a search function embedded. When a user searches using this search function, the website delivers both search results and search adverts, which appear alongside the search result.

Through AdSense for Search, Google provides these search adverts to owners of "publisher" websites. Google is an intermediary, like an advertising broker, between advertisers and website owners that want to profit from the space around their search results pages. Therefore, AdSense for Search works as an online search advertising intermediation platform.

Google was by far the strongest player in online search advertising intermediation in the European Economic Area (EEA), with a market share above 70% from 2006 to 2016. In 2016 Google also held market shares generally above 90% in the national markets for general search and above 75% in most of the national markets for online search advertising, where it is present with its flagship product, the Google search engine, which provides search results to consumers.

It is not possible for competitors in online search advertising such as Microsoft and Yahoo to sell advertising space in Google's own search engine results pages. Therefore, third-party websites represent an important entry point for these other suppliers of online search advertising intermediation services to grow their business and try to compete with Google.

Google's provision of online search advertising intermediation services to the most commercially important publishers took place via agreements that were individually negotiated. The Commission has reviewed hundreds of such agreements in the course of its investigation and found that:

- Starting in 2006, Google included exclusivity clauses in its contracts. This meant that publishers were prohibited from placing any search adverts from competitors on their search results pages. The decision concerns publishers whose agreements with Google required such exclusivity for all their websites.

- As of March 2009, Google gradually began replacing the exclusivity clauses with so-called “Premium Placement” clauses. These required publishers to reserve the most profitable space on their search results pages for Google's adverts and request a minimum number of Google adverts. As a result, Google's competitors were prevented from placing their search adverts in the most visible and clicked on parts of the websites' search results pages.

- As of March 2009, Google also included clauses requiring publishers to seek written approval from Google before making changes to the way in which any rival adverts were displayed. This meant that Google could control how attractive, and therefore clicked on, competing search adverts could be.

Therefore, Google first imposed an exclusive supply obligation, which prevented competitors from placing any search adverts on the commercially most significant websites. Then, Google introduced what it called its “relaxed exclusivity” strategy aimed at reserving for its own search adverts the most valuable positions and at controlling competing adverts' performance.

Google's practices covered over half the market by turnover throughout most of the period. Google's rivals were not able to compete on the merits, either because there was an outright prohibition for them to appear on publisher websites or because Google reserved for itself by far the most valuable commercial space on those websites, while at the same time controlling how rival search adverts could appear.

Breach of EU antitrust rules

Google's practices amount to an abuse of Google's dominant position in the online search advertising intermediation market by preventing competition on the merits.

Market dominance is, as such, not illegal under EU antitrust rules. However, dominant companies have a special responsibility not to abuse their powerful market position by restricting competition, either in the market where they are dominant or in separate markets.

Today's decision concludes that Google is dominant in the market for online search advertising intermediation in the EEA since at least 2006. This is based in particular on Google's very high market shares, exceeding 85% for most of the period. The market is also characterised by high barriers to entry. These include very significant initial and ongoing investments required to develop and maintain general search technology, a search advertising platform, and a sufficiently large portfolio of both publishers and advertisers.

Google has abused this market dominance by preventing rivals from competing in the online search advertising intermediation market.

Based on a broad range of evidence, the Commission found that Google's conduct harmed competition and consumers, and stifled innovation. Google's rivals were unable to grow and offer alternative online search advertising intermediation services to those of Google. As a result, owners of websites had limited options for monetizing space on these websites and were forced to rely almost solely on Google.

Google did not demonstrate that the clauses created any efficiencies capable of justifying its practices.

Consequences of the Decision

The Commission's fine of €1 494 459 000 (1.29% of Google's turnover in 2018) takes account of the duration and gravity of the infringement. In accordance with the Commission's 2006 Guidelines on fines (see press release and MEMO), the fine has been calculated on the basis of the value of Google's revenue from online search advertising intermediation in the EEA.

Google ceased the illegal practices a few months after the Commission issued in July 2016a Statement of Objections concerning this case. The decision requires Google to, at a minimum, stop its illegal conduct, to the extent it has not already done so, and to refrain from any measure that has the same or equivalent object or effect.

Finally, Google is also liable to face civil actions for damages that can be brought before the courts of the Member States by any person or business affected by its anti-competitive behaviour. The new EU Antitrust Damages Directive makes it easier for victims of anti-competitive practices to obtain damages.

Other Google cases

In June 2017, the Commission fined Google €2.42 billion for abusing its dominance as a search engine by giving an illegal advantage to Google's own comparison shopping service.

In July 2018, the Commission fined Google €4.34 billion for illegal practices regarding Android mobile devices to strengthen the dominance of Google's search engine.

Background

Today's decision is addressed to Google LLC (previously Google Inc.) and Alphabet Inc., Google's parent company.

The Commission's investigation into the conduct covered by the present decision began as part of the broader Google Search investigation (case 39740).

On 14 July 2016, the Commission sent a Statement of Objections to Google setting out its preliminary views that the company had abused its dominant position by artificially restricting the possibility of third party websites to display search advertisements from Google's competitors.

Article 102 of the Treaty on the Functioning of the European Union (TFEU) and Article 54 of the EEA Agreement prohibit the abuse of a dominant position. Fines imposed on companies found in breach of EU antitrust rules are paid into the general EU budget. This money is not earmarked for particular expenses, but Member States' contributions to the EU budget for the following year are reduced accordingly. The fines therefore help to finance the EU and reduce the burden for taxpayers.

More information on today's decision is available on the Commission's competition website in the public case register under the case number 40411.
IP/19/1770

Appendix 2 – Article 54 EEA

Article 54

Any abuse by one or more undertakings of a dominant position within the territory covered by this Agreement or in a substantial part of it shall be prohibited as incompatible with the functioning of this Agreement in so far as it may affect trade between Contracting Parties.

1. Such abuse may, in particular, consist in:

a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;

b) limiting production, markets or technical development to the prejudice of consumers;

c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby
placing them at a competitive disadvantage;

d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

Appendix 3 – Article 102

Article 102

(ex Article 82 TEC)

Any abuse by one or more undertakings of a dominant position within the internal market or in a substantial part of it shall be prohibited as incompatible with the internal market in so far as it may affect trade between Member States.

Such abuse may, in particular, consist in:

(a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;

(b) limiting production, markets or technical development to the prejudice of consumers;

(c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;

(d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

Summary

In the modern word due to the globalization, there is a tendency towards the emergence of a single world market. Nowadays the global companies are trying to establish their operations in almost all countries, that results in tougher competition on the local markets. However, this proximity of global enterprises does not always benefit small local businesses, because the fact, that some global companies tend to break fair competition rules in order to get the market dominance. This is especially true for the technology industry. In this regard, nowadays competition regulatory authorities (in particular the European Commission and the U.S. Federal Trade Commission) try to keep an eye on global technology companies. Their special attention is focused on the "Big Tech" companies (Google, Amazon, Apple, Facebook, Microsoft) and their influence on the local markets and businesses.

The study considers the consequences of global companies' anticompetitive behavior for small local businesses on the example of such technology giants as Google and Apple.

The object of the research – global companies' anticompetitive behavior.

The subject of the research – the influence of anticompetitive behavior of global companies on small local businesses.

The main goal of this research is to identify the consequences of such anticompetitive behavior for small local companies and give recommendations for local businesses support. In order to achieve this goal, it is necessary to perform the following tasks:

- Study theoretical aspects of anticompetitive behavior by global companies;
- Proceed analysis of the competition between global companies and small local businesses in the technology industry;

- Proceed analysis of Apple and Google companies' anticompetitive behavior cases and point out the consequences of such behavior for small local businesses operating in the technology industry;
- Determine in general the main consequences of global companies' anticompetitive behavior for small local businesses and provide recommendations for the reduction of their influence on local players.

The hypotheses, that will be approved or disapproved in this research paper, are the following:

3. Anticompetitive practices of global companies have negative consequences not only for their direct local competitors, but also for local third-party businesses;
4. Even after legislative intervention and suspension of anticompetitive behavior of global companies, local companies continue to suffer the consequences of the violation of fair-competition rules.

The work structure is the following: three chapters, each of which includes three subchapters, conclusion and references.

The main methods used are qualitative and quantitative analysis. In addition, the deep analyzes of academic literature, outlooks of different inform agencies, case studies and articles are conducted.

Under global companies are assumed enterprises that have established their business activities and production facilities in multiple countries or around the world.

Anticompetitive behavior of global companies is a variety of activities used by such companies in order to restrain a competition for getting an advantage over other firms and earning higher profits, that are not accompanied with an improvement in quality of good or services provided by global companies. (OECD, 1993).

On the way to achieving a complete monopoly on the market, global companies try to establish very high entry barriers. There is the following typology of entry barriers: (OECD, 2005)1) Structural: great sunk costs; economies of scale;

great capital expenditures; reputation; legislation. 2)Strategic barriers are mainly associated with anticompetitive practices used by large companies against their rivals: Cartels; Price-fixing arrangements; Refusal to deal; Dividing territories; Anti-competitive mergers and acquisitions; Dumping; Limit pricing; Exclusive dealing; Tying.

A global company's decision to take anticompetitive actions is assumed to depend on such factors, as: types of available marketing channels; market saturation with competitors; existence of different types of products; number of suppliers and availability of resources for manufacturing.

One of the assumptions says that global companies tend to use unfair competitive practices when they strive to achieve specific goals (determined as an indicator of success by a society), but this is impossible in the framework of fair competition, because permissible legal methods are limited, inefficient or insufficient for gaining the desired result. (Vaughan, 1983) Another assumption is that even within one global company organizational culture can vary in different divisions and countries. (Cullen, 1988) But there is no agreement about at what point and why a global company decides that it is necessary to start using illegal methods of competition. So, many researches try to reveal the facilities, when organizational culture and structure influence on its competition tools.

Globalization and technological progress have caused the emergence of a single market environment.

Small local business is an enterprise, that has relatively small scale of operations and revenue, according to an industry, and serves only local customers in a specific region. (Hansen & Rugraff, 2011) Their larger competitors have much more advantages over them: progressive technology, significant monetary capacity, world-famous brands, excellent products. In order to keep the lights on local companies pays a lot of attention to such aspects, as: (Harland, 2015) Customer service; Personalization; Responsiveness; Strategic alliance; Innovation.

In competition with large international companies, local enterprises can take up one of the following positions: (Mezuláník, 1999) 1) Defender. These local businesses mainly focus on the benefits which a domestic market can provide them. 2) Contender. Small businesses try to change something in their enterprise model or launch a new innovative product, that will help them to enhance their position on the market and to adapt to new realities. 3) Dodger. Some local companies have to change the entire business model in order to keep up with the constantly changing conditions of market competition. 4) Extender. Some local companies go international and enter new markets where conditions are similar to the domestic one.

Analyzing competition between global and local companies, scientists usually mention a “spillover effect”. This term implies a transmission of resources and competences from one company to another without established partnership between them.

According to a number of scientific researches, relationships between local and international firms include five types of interactions: integrated; captive; relational; market; modular. Each type assumes various development prospects for domestic companies: process enhancement; quality enhancement of goods produced; operational enhancement; value-chain enhancement.

Analyzing the above stated arguments, it can be concluded that a presence of global firms does not necessarily imply negative consequences for local companies, and in certain circumstances, due to “spillover effects”, the presence of this firms may bring number of advantages. However, it is important to have a well-established regulatory system of relationships between global companies and small local businesses.

Different researches accuse anticompetitive behavior of big global companies of diminishing small local businesses.

Nowadays a market power in concentrated in the hands of several world leaders, while a level of competitiveness of small players is becoming lower.

There is an opinion that antitrust legislation should be regarded as a tool that allows small local companies to compete on equal terms with large multinational enterprises by provision of access to a market and the conditions for a sustainable development, instead of regarding it as a tool for protection ineffective local players against their aggressive global rivals.

Small local companies, that managed to survive in such conditions, for example, due to export of goods to other countries, sometimes have to turn into affiliate organizations of global companies. There is also another scenario, when small local companies have to face with a sufficient purchasing power of oversee companies, due to the range of mergers and acquisition of national companies conducted by their international rivals. This leads to the emergence of an oligopoly on a domestic market and to the concentration of a high level of authority in the hands of foreign players, that is the main reason of government intervention.

The development of the small local firms is also complicated by the fact, that global businesses sometimes may use their large profits in order to increase their political power for their mercenary purposes and promotion of their interest. (Baker, 2003)

Among other negative consequences for small local businesses is the fact that some global companies try to establish very high barriers to enter the market, and as a result it is almost impossible for a new domestic enterprise to set its business activity.

Summing up, more and more foreign firms nowadays tend to implement anticompetitive practices, resulting in negative consequences for small local companies. Though, local companies also have a number of advantages over its foreign, nevertheless they are still very sensitive to any violation of fair competition rules and need the support of regulatory bodies.

Nowadays it is safe to suggest that the technology industry is in its prime. The most obvious reason for that is the fact that modern world is becoming more and more digitalized. It is expected to gain 5 trillion dollars in 2019. The United States of America represents the biggest market, with 31% of global market share respectively. The Global Technology sector includes six product types: Software products; Telecom service; Tech consulting; Tech outsourcing and hardware maintenance; Computer equipment; Communications equipment. As for the main players of the Global Technology Industry, they are Apple, Samsung, Google, Microsoft. Antitrust regulation of the technology companies has to take into account that in contrast to other industries, most technology firms provide their eminent services for free.It is very important to build a single legislative framework to control all kinds of manifestations of such behavior.

There are two main ways of manifestation of anticompetitive behavior of global technological companies: first of all, the companies, that provide platforms for the sale of products, sometimes prioritize the promotion of the goods produced by them; secondly, acquisition of probable rivals by global technological giants makes it difficult for small businesses, that have just entered the market, to rival on fair conditions.

So, today large global technological companies exert too much pressure on the market, dictating their conditions and rules of doing business and leaving no chance for success to small companies and it does not matter, how talented these businesses are. The analysis of recent cases of anti-competitive practices implied by two technological giants, Apple and Google, will help to better understand the influence of such behavior on their small local businesses.

The first case took place in August 2018. Japan Fair Trade Commission accuses Apple of applying anticompetitive practices against Yahoo Japan's Games Plus platform. On this company's game platform users can play different games both for free and money on different devises and there is no need to download any special applications. Yahoo Japan's Games Plus platform initially had a lot of partners among game producers, both world-famous and small local companies. According to the indictment, Apple company instigated game producers not to have partnership relations with Yahoo under the threat that otherwise they would not be allowed to place their games in App Store, that subsequently led to the outflow of the Japan subsidiary's partners. In this regard the only thing left for Yahoo Japan was to make a decision on a sharp reduction in the budget. With a closer look at this case, it can be seen that there are much more victims of Apple's violation of the rules of fair competition, as it had negative consequences not only for Yahoo Japan, but also for game producers, which were partners of the platform. It demonstrates, that negative consequences of global company's anticompetitive practices affect not only for the direct rival, but also for small local non-rival companies.

Another most recent case when Apple was accused of anticompetitive behavior is the Spotify's claim to the European Commission about iPhone producer's unethical practices against music application developers. It argues that Apple's products have unfair advantage on App Store platform, by charging the so called "discriminatory" or "Apple" 30% tax on each subscription and other money transaction to the non-Apple applications. It is assumed that it is done in order to promote its own programs. If any company refuses to pay this fee, the US tech producer uses a number of restrictions, that are aimed at making the usage of this company's app on any of Apple's device as difficult as possible. A huge negative effect, that such anticompetitive behavior can have on small companies using AppStore, is that these companies have to put up with this unfair situation. The Commission suspects, that such situation can lead to a market competition decrease. It assumes, that if such harassment of small companies continues, in the nearest future there will be less new companies in the technology industry, as they will have no incentives to enter the tech market, that is almost monopolized by big global players.

So, summing up two cases of Apple, small local companies may not withstand such strong pressure from global technology companies. These cases demonstrate, that anticompetitive behavior of tech giants has negative consequences not only for small direct rivals (as in the second case), but also for small non-rival companies.

The case with Android is one of the most famous examples of Google's accusation in anticompetitive behavior. Google was suspected of abuse of power. The fact is that the company, overusing its position as a search engine leader, forced Android to give up partnership with its competitors – other search engines providers. The fact that in order to get access to all the services of the company, it is required to launch smartphones with already installed Google Chrome and Search, has a negative influence for other search engine producers, including local ones, as they are deprived of the opportunity to have access to the most popular mobile operating system.

In 2018 Google was accused of forcing websites not to cooperate with its competitors, other search engine providers. Being a leader in the field of online advertising, Google made third-party websites refuse to deal with its rivals or deal on favorable for the global giant terms on the issues of the placement of their advertisement on these sites. The Commission has proved that the company has broken the fair competition rules, as Google’s rivals (does not matter big or small) were deprived of the opportunity to be promoted on many websites in the Internet and did not have a chance in many cases to get their target audience due to imposed restrictions, that may have had led to a smaller number of users reached.

The analysis of these cases demonstrates the negative influence of anti-competitive practice of global technological leaders Google and Apple on their local small local rivals, that have very little chance to survive in such unfair and tough conditions, as they have to face such problems, as lower profits, lack of partnerships with many significant firms, the inability to obtain access to consumers.

In the modern it is becoming increasingly difficult for small local businesses to prove themselves and to carve out their niche on the market. The main reason for this is the emergence of a single global economy and global rivalry and these facts have led to the tightening competition. In such circumstances local companies have to enter into competition struggle with large global companies, which have a number of advantages over them, like larger amount of capital, the economic power, economies of scale, possession of advanced technologies, worldwide fame. At the same time, local companies also have several advantages, like the local market specific knowledge, higher degree of flexibility to the quickly changing customer demand, greater proximity to the customer. In the terms of fair competition, such global companies’ presence may bring certain benefits to local players. The main of them is the “spillover effect”, that is according to Caves (1974), a transfer of knowledge from a global company to its local partner.

However, as it was mentioned in this paper, some global companies implement anticompetitive practices, such as tying, dumping, refusal to deal, limit pricing, price-fixing arrangements, etc. (OECD, 2005) Such behavior has a direct and negative influence on local small businesses. Today there is a sharp decrease in the number of small local businesses and scientist suggest, that one of the main reasons for it is abusing power of global companies and the analysis of Apple and Google cases have proved this point of view.

As it was seen in the first case of Apple, actions taken by the global technology leader have led to disastrous consequences for local game manufacturers, leaving these companies without one of the most important and profit-generating partners - Yahoo Japan’s Games Plus platform. This case provides an eye striking example of the fact, that the anticompetitive behavior of global companies influences not only its direct rival (Yahoo Japan’s Games Plus platform), but also other local third-party organizations (local game producing companies). The second case of Apple demonstrates, how global companies can impose unfair conditions on the local market players. Charging the 30% “Apple tax” on each purchase of application on the AppStore platform, that makes app produce to increase prices, the foreign giant tries to promote its own applications, the purchase of which was not levied with taxes. This case is the example of how global company, abusing its power, make local and other companies to increase their prices, that results in reducing number of customers.

The first case of Google provides an example of how the global company try to restrict its rivals access to the devices with Android operating system. By requiring produce all new devices with already installed Google Chrome and Search in order to get access to other applications, the global company deprived other local search engine providers of a large number of users, as Android devices owners in most cases got used to Google apple and demonstrated little incentives to use other companies’ applications. The second case of Google demonstrates, how the global company did not allow its local rivals to place their advertisements on the websites-partners of Google. If even the company allowed to do so, it required that the most visible places were reserved for Google's advertisements. Due to this fact, the advertisements of its local rivals were much less effective and profitable.

The analyzes of these cases demonstrate how detrimental the impact of anticompetitive behavior of global companies is for small local companies, resulting in such consequences, as lower profits, lack of partnerships with many firms, that are necessary for their functioning, the inability to obtain access to consumers. With the further existence of such a scenario, the small local companies will be under the threat of extinction.

As it was mentioned above, in the presence of global companies' anticompetitive behavior small local businesses are under the threat of extinction, as there is already a downturn tendency in the number of these businesses. It should be admitted, that the role of small companies is extremely important. First of all, due to the fact, that in some sectors small local companies provide more value, due to their small scale of operation and high level of responsiveness to the specific needs of customers. Secondly, small companies are of high importance for the innovation creation processes. In accordance with a number of analysis, the markets with a greater number of small players demonstrate higher level of innovativeness, than those markets that are occupied by large players. These companies pay more attention to innovations than their larger rivals, because they try to expand their business and acquire new customers. Thirdly, due to the existence of the small local companies, the poverty rate falls and the share of middle class increases.

That is why it is very important to pay enough attention to the protection of small local companies.

So, the first recommendation would be given to small local businesses: in order to decrease the negative influences of anti-competitive behavior of global companies it is recommended to decrease small companies' dependence on these companies. If in the case of Apple and Spotify, the local companies did not so much rely on App Store platform, these businesses would not have to put up with tax payments and other restrictions imposed on them. That is why is vital for these companies to develop their own channels for reaching final customers.

The second recommendation concern the regulatory ideology. As it was mentioned above the regulatory authorities earlier controlled the competition in order to protect small businesses against the repressions from their larger rivals, but then they changed their attitude and started to monitor the competition in order to protect the consumers' rights. Many analysts accuse this change of focus in the fact, that global companies nowadays possess such great power, as the negative consequences of this power, concentrated in the hands of several market players, for small companies are taken into account only after their emergence. Governments are also accused of favoring global companies and turning a blind eye to their violations of law, as they regard the entrance of global companies on the local markets to be a source of FDI. It is highly recommended to shift the attention towards the small local businesses again, as they need the government support in order to survive in a such tough competition struggle. Government authorities should be able to distinguish promising local companies and subsidize them, especially if there is a global company on the market.

The case studies demonstrate, that no matter how big the fine is, its imposition does not prevent the global companies from using unfair anticompetitive practices and they continue to implement them even after its payment (Google and Apple already have impressive lists of fines paid for huge sums). That is why the third recommendation is to toughen the punishment of global companies. For example, maybe the temporary blocking of business operations of global company in the country or region where fair competition rules were violated would be a more significant deterrent. Another way is to increase the severity of punishment as each new violation is identified. However, it is important not to overreact at the same time, and not to make the pursuit of global companies the main goal of competition regulation.

During the research of influence of anticompetitive behavior of global companies on small local businesses the following issue was found out: there is plenty of literature concerning the anticompetitive behavior of global companies and competition between global and local businesses, that allow to get a clear understanding of this process. However, there were some difficulties in the process of searching information about the impact of such behavior on local small businesses, as, first of all, this topic is not much investigated in the academic literature, and secondly, even when it was possible to find the information, it was mainly about the consequences of global companies' anticompetitive behavior for big local businesses and very little attention was paid to small local companies.

That is why it is recommended to explore the impact of the fair competition rules violation by global companies on small local businesses and provide this information in regard of each industry, taking into account the peculiarities of conducting business there.

It is also recommended to investigate in the theoretical literature the consequences of such behavior not only for local small businesses, that are direct competitors of global companies, but also for local non-competing businesses, as the case with Apple demonstrates, that third-party organizations very often are also the victims of global companies' anticompetitive practices.

Moreover, the thorough analyses of the cases of Apple and Google revealed, that open sources lack detailed information concerning the influence of these companies' rules violations consequences for big and small local companies. There is also lack of detailed information about these global companies' local partners, they are mentioned just in general, without names. Due to this reason it is recommended for the analysts studying these companies to pay attention to this problem and to solve it.

Globalization leads to increasing competition and in order to win in this struggle many companies resort to unfair practices. Global companies are not exception and the technology industry provides a striking example of their arbitrariness. “Big Tech” companies abuse their power and try to establish their own rules on the market, infringing on the right of small local businesses. It is believed that due to this reason there is a sharp decrease in the number of small local businesses, that may lead to such consequences, as lower innovation rate, higher prices, lower quality of products, unsatisfied specific needs, etc.

In general, basing on the analysis of the academic literature, different articles and case studies of Apple and Google, it was identified that anticompetitive behavior of global companies negatively affect small local businesses, resulting in lower profits, lack of partnerships with many firms, that are necessary for their functioning, the inability to obtain access to consumers, etc.

This research paper now allows to confirm or reject the following hypothesis:

3. *“Anticompetitive practices of global companies have negative consequences not only for their direct local competitors, but also for local third-party businesses”.* The analysis of the Apple and Yahoo Japan’s Games Plus case demonstrates, that among the victims of Apple’s anticompetitive practices are also small local game producers, that had to refuse to cooperate with Yahoo Japan or were refused to deal due to budget cuts. Although Apple’s actions were directed against Yahoo Japan, but they also have negative consequences for local third-party companies. So, the hypothesis 1 is approved.
4. *“Even after legislative intervention and suspension of anticompetitive behavior of global companies, local small companies continue to suffer the consequences of the violation of fair-competition rules”.* The analysis of the Google and Android case demonstrates, that even after the European Commission investigation and decision to stop pre-installation of Google’s search engine and other applications on all Android’s devices, Google’s

programs are still the most popular trend among Android devices owners. That is why it is reasonable to assume, that even when global companies stop implement anticompetitive practices, they continue to join the gained advantages, as well as the local companies continue to face negative consequences of such practices. Consequently, the hypothesis 2 is approved.

As for recommendations, it is expected that the following suggestions could prevent or at least to alleviate the consequences of anticompetitive behavior for small local businesses: 1) decrease small local businesses dependence on global companies; 2) change the regulatory ideology: to protect competition not only in the interests of consumers, but also in the interests of small businesses; 3) to toughen the punishment of global companies for the anticompetitive behavior, for example by temporary blocking of global company's business activities in the country or region where anticompetitive behavior takes place or by increasing the fine with each subsequent competition's rules violation.

Moreover, it is also advised for future researches to investigate the impact of anticompetitive behavior of global companies on local small businesses (not only competitors, but also third-party organizations) in the academic literature, taking into account the specifics of different sectors.

So, the importance of small local businesses should not be underestimated and it is very important to build friendly relations between local and small businesses, which allow them to share valuable information and experience with each other.