

## Disarm GAFAM and hit Amazon!

Thematic contribution for the Socialist Congress of Villeurbanne

It is the lot of any exceptional period to reverse value chains. But there are situations where these shifts border on the indecent.

In the 2<sup>nd</sup> quarter of 2020 alone, the Amazon group, an e-commerce giant, doubled its profits compared to the same period in 2019.

The fortune of its founder, Jeff Bezos, has soared 70% since January to \$186.2 billion. At the same time, the destruction of companies and jobs is counted in millions in the major industrial countries. The American firm recorded more than 11,000 dollars in sales per second<sup>1</sup> at the height of the Covid crisis.

In France, as noted in the bill tabled in June 2020<sup>2</sup>, the containment and closure for several weeks of 86% of local shops has caused a parallel explosion in online sales, whose turnover should exceed 100 billion euros in 2020. The crisis has amplified the economic and social damage caused by the ogres of the new economy.

But let's not confuse the symptoms with the disease. Amazon's profit from the current situation is only a consequence of a deeper reality. That of the domination, without limits, of the actors of the new economy: the GAFAM<sup>3</sup>. A domination that requires an understanding of its levers in order to provide adequate responses.

### ***A double monopoly***

In just a few years, the major digital companies, including Amazon, have turned the map and the territory of finance upside down, to the point where they now account for half of the ten largest market capitalizations.

This financial domination differs from what we have seen so far in the global economy, in terms of its scale, characteristics and concentration effects.

Even beyond their own growth, GAFAM has committed unparalleled resources to drying up the competitive dynamics of the market. Their financial strength has enabled them to

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<sup>1</sup> " Amazon reaps \$11,000-a-second coronavirus lockdown bonanza ", The Guardian, 15 avril 2020.

<sup>2</sup> Proposition de loi instituant un moratoire sur l'implantation de nouveaux entrepôts logistiques destinés aux opérateurs du commerce en ligne et portant mesures d'urgence pour protéger le commerce de proximité d'une concurrence déloyale, n°3040, Assemblée nationale, 2 juin 2020.

<sup>3</sup> The acronym GAFAM refers to the five companies Google, Apple, Facebook, Amazon and Microsoft.

to get their hands on hundreds of start-ups to acquire their expertise and technology. In recent years, these companies have devoured a third of the industry's mergers and acquisitions and have been able to file more than 52,000 patents in the field of artificial intelligence in less than ten years.

This voracity drives Amazon's development choices, which no longer have much to do with the myth of the "free and undistorted market. On its own platform, the American company does not hesitate to sell products below cost price to eliminate its competitors. By collecting data from its marketplace, it can also launch its own products to copy what works but has already been invented by others. This is the misadventure experienced by the employees of an aluminum computer support company who saw their flagship product compete with an identical object, bearing the Amazon logo, and appearing at the top of the search results<sup>4</sup>.

Their quasi-monopoly situation - denounced today by many American jurists - offers these actors a new situation rent, allowing them to easily impose themselves in other economic sectors. When we know that 90% of the world's search engine activity is carried out by Google and that 75% of the pages viewed on social networks in the United States are on Facebook, we can better understand why these two companies account for more than 20% of global advertising investments...

This exceptional dominance is based on the logic of network effects. One could say that in the digital economy, "*strength goes to strength*" since it is a critical number of consumers who build the growth of platforms. The more people use a service, the more value that service will have, so more people will start using it as well. This dynamic is accentuated by the phenomena of service interconnection, which means that if you originally used Google only as a search engine, you will use it as an email address, then as a GPS or to pay for your purchases.

Amazon has become an expert in this field. In particular by betting on subscribers "The number of Netflix subscribers (150 million people worldwide) was surpassed at the beginning of the year. If the parallel is made with the mastodon of online video, it is because the development of *Amazon Prime* allows the firm to develop a powerful VOD platform, sitting on this consumer mattress. And also to deploy itself in the music, entertainment, etc. sector.

According to experts, Amazon loses more than \$1 billion on shipping costs related specifically to the benefits offered by the "Premium" category. But it doesn't matter, since the goal is not to offer fast delivery service, but rather to catch customers (and their data) and keep them loyal to a range of benefits.

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<sup>4</sup> In "*Amazon, that inexorable war machine that strangles competition, degrades work and threatens our city centers*," Olivia LaVecchia, Stacy Mitchell, Institute for Local Self-Reliance (ILSR), Syndicat de la Librairie française, 2016.

In fact, the prosperity of global platforms is based on a "dual monopoly" situation: Gafa's are in a position of power in their sector in the face of competition, and the user finds himself dependent on a single company for a whole range of services.

### ***Negative externalities***

This exceptional concentration of both services and customers is a major factor in risks and negative externalities.

Risks because the fate of thousands - or even millions of players - is tragically dependent on a single service provider. Let's take the case of Amazon and one of its little-known, yet particularly profitable, lines of business. Representing nearly 40% of the cloud market, hosting nearly 80% of CAC40 companies, Amazon's cloud service (AWS) is one of the leading sources of revenue for the American company. Beyond even the challenges of data control and sovereignty, the hosting of so many customers by a single player is one of the most important weaknesses of the contemporary economy. Three years ago, the failure of the AWS service caused the temporary shutdown of thousands of services that were customers.

These monopolistic risks are also found in e-commerce. In the United States, for every dollar spent online, 50 cents goes to Amazon. 82% of American households subscribe to Amazon Prime. This concentration of consumption on a single platform is detrimental. Not only for consumers but also for producers who find themselves in the grip of a single player who has the power to set its prices and conditions. This situation has been denounced by book actors who are worried about the power of the platform. "*We know that Amazon has the power to destroy a book's chances of success, as it demonstrated two years ago when it suspended pre-orders and extended delivery times by several weeks for thousands of titles offered by the publisher Hachette, not hesitating to modify its search and recommendation algorithms to direct buyers to other titles. According to some sources, Amazon wanted Hachette to pay it higher commissions and, for several months, it suppressed the career prospects and income of some 3,000 authors in order to achieve this goal,*"<sup>5</sup> according to researchers Olivia LaVecchia and Stacy Mitchell.

Beyond that, there are many negative externalities, borne by society, that are generated by the domination of the GAFAMs in general, and Amazon in particular.

First of all, the expansion of Amazon's platform is destructive to employment. In the United States, 270,000 net jobs have been destroyed in ten years. In his report published in November 2019, En Marche Congressman Mounir Mahjoubi came out of his

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<sup>5</sup> In "*Amazon, that inexorable war machine that strangles competition, degrades work and threatens our city centers,*" Olivia LaVecchia, Stacy Mitchell, Institute for Local Self-Reliance (ILSR), Syndicat de la Librairie française, 2016.

naive fascination for new technologies, to note that *"for every 1 job created by Amazon France, traditional commerce loses 2"*<sup>6</sup>.

Secondly, for the economic fabric and the diversity of productions. Amazon's dominant position deepens inequalities, threatens free competition and local trade. In the United States, the deployment of Amazon has already emptied more than 14 million <sup>square meters</sup> of commercial space and the disappearance of 22,000 downtown stores.

The mass production on which the platform depends is also not without consequence on the sobriety of our societies. Everything is encouraged within Amazon to favor over-consumption. And when the stock is not sold out, millions of products are directly destroyed<sup>7</sup>. Because Amazon's storage billing system discourages sellers from repatriating unsold products.

But it is obviously on the side of employee rights that the consequences are the most numerous. In the midst of the Covid crisis, French trade unions mobilized to demand the closure of warehouses in the name of staff safety. The judicial court of Nanterre, then the Court of Appeal of Versailles confirmed this necessity. The court found that Amazon had *"clearly disregarded its obligation to ensure the safety and health of its employees"*<sup>8</sup>.

In the company's warehouses, handlers are paid on average 15% less than in other warehouses in their region<sup>9</sup>. Amazon is trying to free itself from its obligations as an employer, and is obviously increasing its use of temporary workers or freelancers. Since 2015, the "Amazon Flex" system has been recruiting delivery workers for 2 to 8 hour slots to deliver its parcels, with contracts similar to those of Uber's proletarians. Without a long-term contract, without minimum social protection.

It is difficult to find a guarantee of the quality of the items offered for sale on the Amazon Marketplace. As a Wall Street Journal survey<sup>10</sup> revealed, thousands of products, even though they are considered dangerous for the authorities, are available for purchase on the platform. Mainly toys and medicines...

Finally, there is very little in the way of guarantees on tax contributions. The GAFAMs multiply the financial tricks to escape taxes, and Amazon is no exception to the rule. Its tax evasion mechanisms would allow it to hide 58% of its turnover.

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<sup>6</sup> "Amazon vers l'infini et Pôle emploi", Mounir Mahjoubi, November 21, 2019.

<sup>7</sup> "Amazon, seller of mass destruction," Le Monde, January 13, 2019.

<sup>8</sup> *Tribunal judiciaire de Nanterre, interim order issued on April 14, 2020, n°r.g. :20/00503 - n° portalis db3r-w-b7e-vucy, n°20/601*

<sup>9</sup> In "Amazon," this inexorable war machine that strangles competition, degrades labor and threatens nos centres-villes", Olivia LaVecchia, Stacy Mitchell, Institute for Local Self-Reliance (ILSR), Syndicat de la Librairie française, 2016.

<sup>10</sup> Amazon Has Ceded Control of Its Site. The Result: Thousands of Banned, Unsafe or Mislabeled Products, Wall Street Journal, 24 août 2019

made in France<sup>11</sup>. And this, even though the installation of its warehouses benefits from regular public support, as was recently decided by the regional right in the Ile-de-France region.

But in this disintermediated world, it is also - and above all - the invisibility of the players mobilized by Amazon that should alert us: According to a report by the General Inspectorate of Finance less than a year ago, *"98% of the sellers registered on the marketplaces of e-commerce sites are not registered for VAT in France"*<sup>12</sup>.

### ***Engaging the battle***

Although fascinated by the dynamics of these new economic players, the government has resolved to ask for a better contribution to public budgets. The idea of a GAFAM tax is thus gaining ground, shaken by negotiations within the OECD and relations between the USA and France.

There is no question here of disputing the interest of a greater friendly contribution from these technological players. But this brief panorama of the effects induced by the development of these actors calls for a more ambitious and more structural response.

We socialists are summoned to domesticate a technological revolution that is unfolding without any measure of general interest.

Under the impetus of our fellow Democrat Elisabeth Warren, the question of dismantling the GAFAM is now being raised in the United States itself. At the beginning of October, the Antitrust Committee of the US House of Representatives opened this possibility after investigating the anti-competitive practices of Amazon, Google, Apple and Facebook.

In its report, the commission states that *"companies that were once small start-ups challenging the status quo have been transformed into monopolies of a kind we last saw in the era of oil barons and railroad tycoons. These firms have too much power, and that power needs to be contained and properly monitored and enforced. Our economy and our democracy depend on it. »*

So that's what's at stake! The Socialist Party must lead the battle. That is its *raison d'être*. And one of its contemporary struggles.

With this contribution, we call for our party to organize political resistance, in Europe and in the world, for the dismantling of the GAFAM. An initiative, in connection with our partners of the PES, deserves to be engaged.

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<sup>11</sup> "Immersion in the World of Amazon", ATTAC report, Friends of the Earth, Solidaires, November 14, 2019

<sup>12</sup> "Une fraude massive à la TVA mise au jour dans l'e-commerce ", Les Echos, December 9, 2019.

More particularly for Amazon, it will be a question of obtaining the split of its activities to force it to break with its sprawling voracity.

It will also be necessary to impose on this e-commerce platform, the legal responsibilities that it tries to escape. With regard to product liability as well as its obligations as an employer. Amazon must be required to respect labor law, apply our collective agreements and integrate temporary workers into its workforce.

Finally, a moratorium is imposed on the establishment of new warehouses of the American giant, so as not to let it double its storage capacity in 2021.

**First signatories :**

Maxime des Gayets, national secretary for major transitions (75),

Karim Bouamrane, mayor of Saint-Ouen, member of the national authorities

(93), Dominique Barjou, federal secretary (94),

Dylan Boutiflat, National Board Member (75),

Martin Bussy (75),

Rémi Cardon, Senator and <sup>First</sup> Federal Secretary

(80), Thomas Chevandier, Federal Secretary (75),

Christophe Clergeau, National Secretary for Europe (44),

Fabrice de Comarmond, national secretary for digital transitions (31),

Dieynaba Diop, spokesperson (78),

Vincent Duchaussoy, national secretary for labor and social dialogue (76),

Myriam El Yassa, national secretary for the fight against discrimination (25),

Tristan Foveau (29), federal secretary (29),

Olivier Jacquin, Senator, National Secretary for Mobility and Transport (54),

Catherine Lime-Biffe, Member of the Federal Council (92),

Sandrine Martin, member of the Federal Council (86),

Corinne Narassiguin, national secretary for coordination (93),

Yohann Nédélec, <sup>1st</sup> federal secretary (29),

Christine Pirès-Beaune, MP, National Secretary for the Budget and Taxation (63),

Sarah Proust, National Secretary for Elections (75)

Claire Rabès, National Secretary for Public Services (93),

Maxime Sauvage, National Secretary for the Republic of Territories (75),

Isabelle This-Saint-Jean, National Secretary for Studies and Prospects (78),

Yannick Trigance, National Secretary for Education and Higher Education (93),

Sébastien Vincini, Mayor of Cintegabelle, National Secretary for Federations (31),

Karim Ziady, Section Secretary (75).