

August 12, 2025

The Honorable Mike Rogers
Chair
Armed Services Committee
United States House of Representatives
Washington, District of Columbia 20515

The Honorable Adam Smith
Ranking Member
Armed Services Committee
United States House of Representatives
Washington, District of Columbia 20515

RE: Inclusion of Language Substantially Similar to H.R. 3913, the United States-Republic of Korea Digital Trade Enforcement Act, in the National Defense Authorization Act

Dear Chair Rogers and Ranking Member Smith:

I write to you today in support of including language substantially similar to H.R. 3193, the United States-Republic of Korea Digital Trade Enforcement Act, in the National Defense Authorization Act of 2025. Members of ACT | The App Association appreciate that proposals like H.R. 3193 would help protect them against unfair and discriminatory regulatory regimes directed at digital markets. The App Association is a global trade association for small and medium-sized technology companies. Our members are entrepreneurs, innovators, and independent developers within the global app ecosystem that engage with verticals across every industry. We work with and for our members to promote a policy environment that rewards and inspires innovation while providing resources that help them raise capital, create jobs, and continue to build incredible technology. By nature, our members are international businesses and need laws in the countries where they do business to support their growth. I urge you to support the inclusion of H.R. 3193 as an amendment to the National Defense Authorization Act (NDAA).

All over the world, governments are considering legislation similar to the Digital Markets Act (DMA) from the European Union (EU). While these bills purport to bolster domestic competition in the market for online marketplaces, in practice they harm American companies both large and small. They unfairly target large marketplace companies and attempt to force changes to their services, which negatively impact smaller app development companies like our members that rely on those services.

One of the most important factors in the app ecosystem's dynamic growth and success is the presence of these curated online marketplaces or app stores. Trusted app stores serve as a vital foundation for the growing uses of apps across industries and enterprises. Three key attributes led to the revolution in software distribution. Today every successful marketplace for mobile, desktop, gaming, and even cloud computing must provide these features in order to attract small business sellers and developers:

1. The provision of a bundle of services that reduces overhead costs;
2. Instantaneous and cost-effective consumer trust mechanisms; and
3. Cost-effective access to a global consumer base.

Legislation like the DMA, which the Republic of Korea's (RoK's) proposed Platform Competition Promotion Act (PCPA) and its subsequent alternatives imitate, reduces the value of the services our members get from app stores on all three key features. Since the implementation of the DMA, our EU-based members have been left with higher costs for weaker distribution services. Even more harmful is the effect the DMA has on trust for apps in app stores. Small businesses without name recognition rely on these stores for consumer trust, since their appearance in the store signals the app's reliability, safety, and lack of malicious software. Under DMA, our members do not have the same level of automatic trust, nor can they rely on protection from copycat apps. This lack of trust directly harms their growth and ability to compete in foreign markets.

The DMA has also more directly led to higher distribution costs. Beyond the EU's borders, the app store fee structure is especially progressive, imposing commissions on the largest companies selling digital-only goods and services. For the vast majority of app makers who sell real-world goods or services like tickets, consulting, or healthcare, there is *no commission* and the distribution cost is the registration fee: \$99 annually for iOS and \$25 per year for Android. The European Commission (EC) has declared this progressive fee structure illegal under DMA, leaving far more *regressive* fee structures as the only potentially legal options. This helps explain why DMA's proponents are the largest, digital-only services sellers to have ever sold through the app stores—they benefit from reducing their own distribution costs and from pushing those costs down to the smallest sellers of real-world items on the stores. Compounding the issue, the EC still has not declared definitively which fee structure might be legal under DMA, leading to confusion and regulatory uncertainty that has discouraged developers and delayed introduction of new apps.

Legislation like H.R. 3193 gives American negotiators the backing they need, mandating investigation by the U.S. Trade Representative (USTR) on the harms of proposals like PCPA and their discriminatory impact. It is essential for Congress to provide USTR with the necessary authority and guidance to oppose regulatory regimes that eliminate distribution options and market access for small business innovators. Both the Biden and Trump Administrations have labelled the DMA a non-tariff trade barrier, and RoK's analogous proposal would be no different. Similar action must be taken if other countries continue to erect barriers to American companies in their markets. Only the threat of action at the World Trade Organization (WTO) or specific language in a trade agreement would shield American companies from the harms inherent in these bills.

The PCPA and its successors also complicate RoK's and the United States' shared security interests. Erecting obstacles to American companies threatens the strong business alliance between our two countries, raising the difficulty of providing an appropriate counterbalance to Chinese and North Korean influence. Taking steps that will decrease interconnectedness and mutual investment will only serve to embolden these adversaries. Adding H.R. 3193 to the

NDAA will signal the strength of Congress's objections to the concerning prospect of Korean proposals based on DMA.

American small businesses need H.R. 3193 to protect their ability to compete in foreign markets. The PCPA and similar proposals pending in Korea's legislature are a threat to both our business investment and our relationship with the Republic of Korea. I urge you to include this language in the NDAA to ensure a strong and stable relationship with this vital ally.

Sincerely,

A handwritten signature in black ink that reads "Morgan Reed". The signature is fluid and cursive, with the first name "Morgan" and the last name "Reed" clearly distinguishable.

Morgan Reed
President

ACT | The App Association