

08 September 2025

Taiwan Fair Trade Commission  
12-14 F, No. 2-2, Sec.1, Jinan Rd.,  
Zhongzheng District  
Taipei City 100219,  
Taiwan (R.O.C.)

**RE: ACT | The App Association Comments Regarding the Taiwan Fair Trade Commission's Request for Comments Concerning Consultation Paper on Generative Artificial Intelligence and Competition**

ACT | The App Association represents small business application developers and connected device companies, located both in Taiwan and around the world. These companies drive a global app economy worth more than 185.635 trillion NTD.<sup>1</sup> App Association members both develop and leverage artificial intelligence (AI) to create innovative solutions that introduce new efficiencies across consumer and enterprise use cases, and rely on a predictable and fair approach to the regulation of emerging technologies to succeed and create new jobs. Therefore, the Taiwan Fair Trade Commission's (TFTC) inquiries into generative AI technology and competition is directly relevant to the App Association. As we discuss below, any premature Taiwanese government intervention into the AI ecosystem creates a substantial risk of undermining Taiwan's digital economy, which is supported by platforms that compete with each other to provide small business developers with a means for secure and ubiquitous access to customers at low cost and with few barriers to entry. Further, heavy-handed measures could also create friction with Taiwan's trade commitments and weaken its international competitiveness, especially given Taiwan's leadership in semiconductors and AI infrastructure.

Generative AI tools are having, and will continue to have, substantial direct and indirect effects on consumers and businesses across Taiwan. While some forms of AI are already in use to improve Taiwanese consumers' lives today, moving forward, across use cases and sectors, generative AI has incredible potential to improve Taiwanese consumers' lives through faster and better-informed AI content creation using both distributed cloud computing and on-device processing. Recent research shows that consumers are embracing AI at an unprecedented rate, underscoring the need for policies that support rather than restrain this momentum.<sup>2</sup>

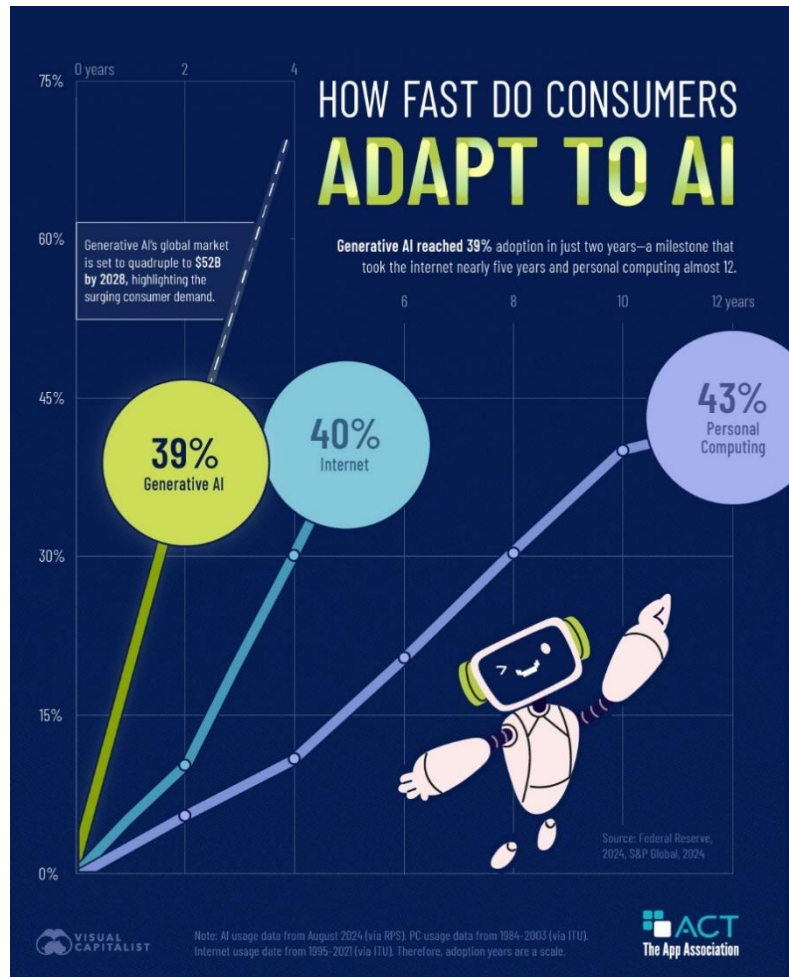
---

<sup>1</sup> <https://actonline.org/global-appcon22-competition-and-privacy/>.

<sup>2</sup> <https://actonline.org/2025/03/27/consumers-want-ai-and-industry-is-delivering-will-the-government-get-out-of-the-way/>.

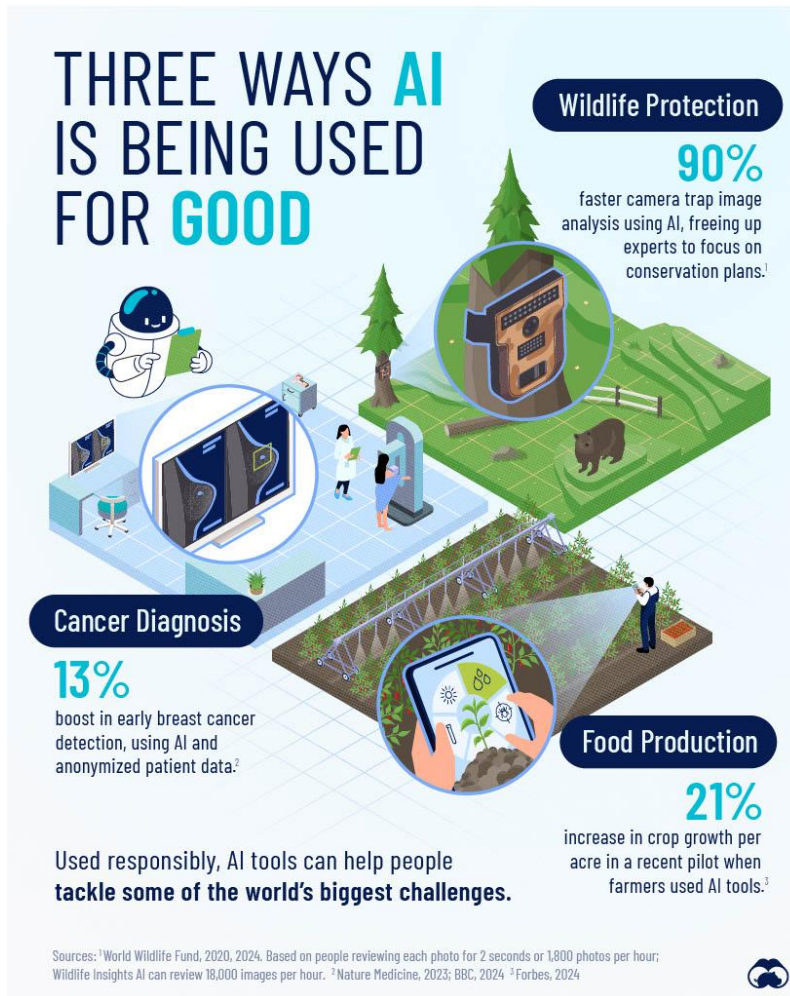
As an example, healthcare treatments and patient outcomes stand poised to improve disease prevention and conditions, as well as efficiently and effectively treat diseases through automated analysis of X-rays and other medical imaging. AI will also play an essential role in self-driving vehicles and could drastically reduce roadway deaths and injuries. As a further example, AI-driven software products and services revolutionized the ability of countless Taiwanese citizens with disabilities to achieve experiences in their lives far closer to the experiences of those without disabilities.

While generative AI is already demonstrating its impressive potential, the same tools are also raising a variety of unique considerations for policymakers. Accordingly, we urge TFTC to align its generative AI activities with the following principles and themes:



## 1. Harmonizing and Coordinating Approaches to AI

Existing Taiwanese laws already prohibit harmful conduct regardless of the platform or venue. The use of AI does not shield companies from these prohibitions. However, policymakers must approach the applicability of these laws to AI with contextual understanding and great sensitivity to the novel or evolving risks AI systems present.



Policymakers must first understand how existing frameworks apply to activities involving AI to avoid creating sweeping new authorities or agencies that awkwardly or inconsistently overlap with current policy frameworks.

## 2. Quality Assurance and Oversight

Policy frameworks should utilize risk-based approaches to ensure that the use of AI aligns with any relevant recognized standards of safety, efficacy, and equity. Small software and device companies benefit from understanding the distribution of risk and liability in building, testing, and using AI tools. Policy frameworks addressing liability should ensure the appropriate distribution and mitigation of risk and liability. Specifically, those in the value

chain with the ability to minimize risks based on their knowledge and ability to mitigate should have appropriate incentives to do so. Some recommended areas of focus include:

- Ensuring AI is safe, efficacious, and equitable.
- Encouraging AI developers to consistently utilize rigorous procedures and enabling them to document their methods and results.
- Encouraging those developing, offering, or testing AI systems intended for consumer use to provide truthful and easy-to-understand representations regarding intended use and risks that would be reasonably understood by those intended, as well as expected, to use the AI solution.

## 3. Thoughtful Design

Policy frameworks should encourage design of AI systems that are informed by real-world workflows, human-centered design and usability principles, and end-user needs. AI systems should facilitate a transition to changes in the delivery of goods and services that benefit consumers and businesses. The design, development, and success of AI should leverage collaboration and dialogue among users, AI technology developers, and other stakeholders to ensure all perspectives are reflected in AI solutions.

## 4. Access and Affordability

Policy frameworks should enable products and services that involve AI systems to be accessible and affordable. Significant resources may be required to scale systems. Policymakers should also ensure that developers can build accessibility features into their AI-driven offerings by avoiding policies that limit accessibility options.

## **5. Bias**

The bias inherent in all data, as well as errors, will remain one of the more pressing issues with AI systems, particularly in the utilization of machine learning techniques. Regulatory agencies should examine data provenance and bias issues present in the development and uses of AI solutions to ensure that bias in datasets does not result in harm to users or consumers of products or services involving AI, including through unlawful discrimination.

## **6. Research and Transparency**

Policy frameworks should support and facilitate research and development of AI by prioritizing and providing sufficient funding while also maximizing innovators' and researchers' ability to collect and process data from a wide range of sources. Research on the costs and benefits of transparency in AI should also be a priority and involve collaboration among all affected stakeholders to develop a better understanding of how and under which circumstances transparency mandates would help address risks arising from the use of AI systems.

## **7. Modernized Privacy and Security Frameworks**

The many new AI-driven uses for data, including sensitive personal information, raise privacy questions. They also offer the potential for more powerful and granular privacy controls for consumers. Accordingly, any policy framework should address the topics of privacy, consent, and modern technological capabilities as a part of the policy development process. Policy frameworks must be scalable and assure that an individual's data is properly protected, while also allowing the flow of information and responsible evolution of AI. A balanced framework should avoid undue barriers to data processing and collection while imposing reasonable data minimization, consent, and consumer rights frameworks.

## **8. Ethics**

The success of AI depends on ethical use. A policy framework must promote many of the existing and emerging ethical norms for broader adherence by AI technologists, innovators, computer scientists, and those who use such systems. Relevant ethical considerations include:

- Applying ethics to each phase of an AI system's life, from design to development to use.
- Maintaining consistency with international conventions on human rights.
- Prioritizing inclusivity such that AI solutions benefit consumers and are developed using data from across socioeconomic, age, gender, geographic origin, and other groupings.

- Reflect that AI tools may reveal extremely sensitive and private information about a user and ensure that laws require the protection of such information.

## 9. Education

Policy frameworks should support education for the advancement of AI, promote examples that demonstrate the success of AI, and encourage stakeholder engagements to keep frameworks responsive to emerging opportunities and challenges.

- Consumers should be educated as to the use of AI in the service(s) they are using.
- Academic education should include curriculum that will advance the understanding of and ability to use AI solutions.

## 10. Intellectual Property

The protection of intellectual property (IP) rights is critical to the evolution of AI. In developing approaches and frameworks for AI governance, policymakers should ensure that compliance measures and requirements do not undercut safeguards for IP or trade secrets.

The App Association also urges TFTC's next steps to align with our recommendations on the roles and interdependencies in the AI value chain, which support the theme of a shared responsibility for safety and efficacy.<sup>3</sup> This document proposes clear definitions of stakeholders across the AI value chain, from development to distribution, deployment, and end use; discusses roles for supporting safety, ethical use, and fairness for each of these important stakeholder groups that are intended to illuminate the interdependencies between these actors, thus advancing the shared responsibility concept.

Appropriately, TFTC is seeking to first understand the complexity and vibrancy of the generative AI market as a critical and necessary first step in evaluating whether there are competition issues in the market for policymakers to address. Studying and understanding emerging markets are important aspects of enforcers' work, but there is a tendency to include only the largest and well-known companies in lists of market players. The AI ecosystem is dynamic and layered. Taiwanese startups are contributing across hardware, models, and applications, often supported by partnerships with global firms. Overly narrow views of the market obscure this competitive diversity and risk leading to misguided interventions.<sup>4</sup> For small business developers, while those larger players offer immense value that developers realize through lower overhead and compliance costs, built-in customer trust, increased speed to market, and wider distribution and market access, a wide range of further platforms have been, and are being, developed in response to generative AI market demands; these small developers are also working to develop their own

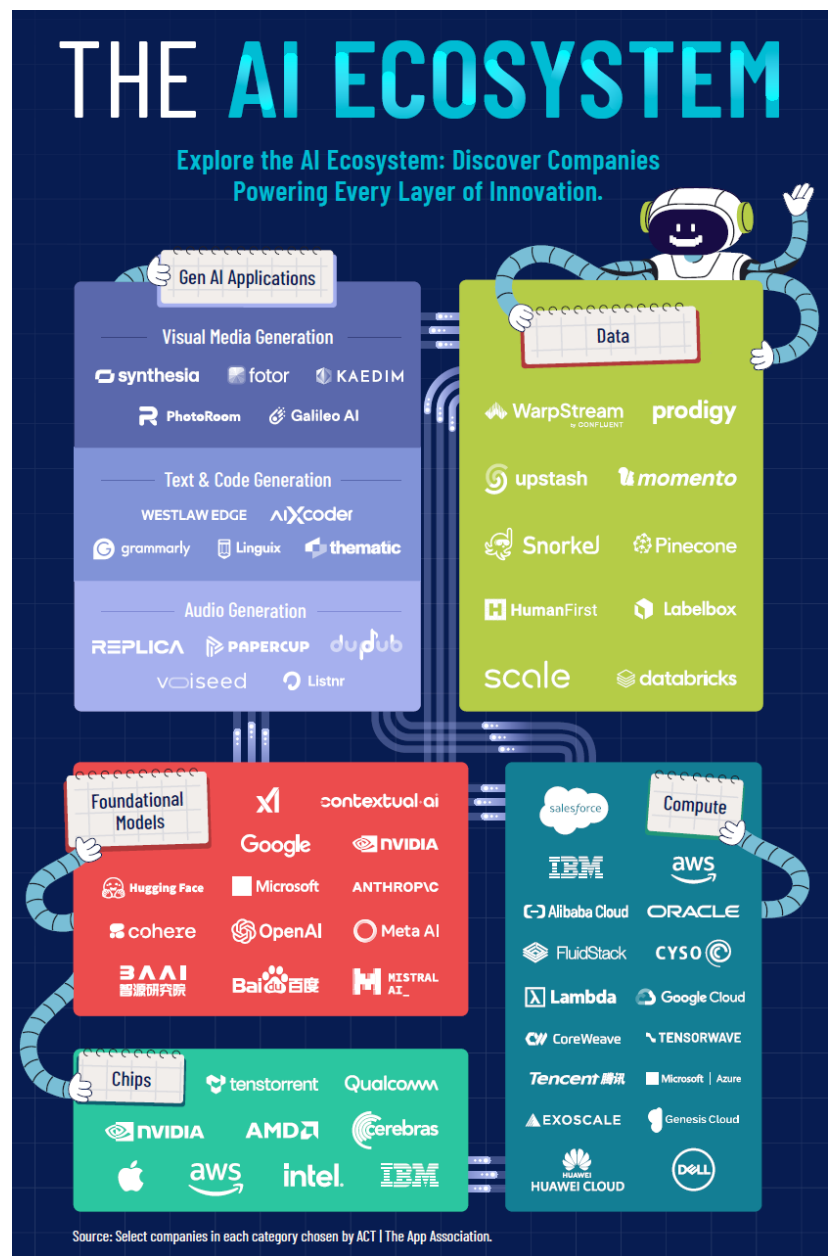
---

<sup>3</sup> <https://actonline.org/wp-content/uploads/ACT-AI-Roles-Interdependencies-Framework-final-text-May-2024-UK-English.pdf>.

<sup>4</sup> <https://actonline.org/2025/01/08/the-ai-ecosystem-dynamic-competitiveand-misunderstood/>.

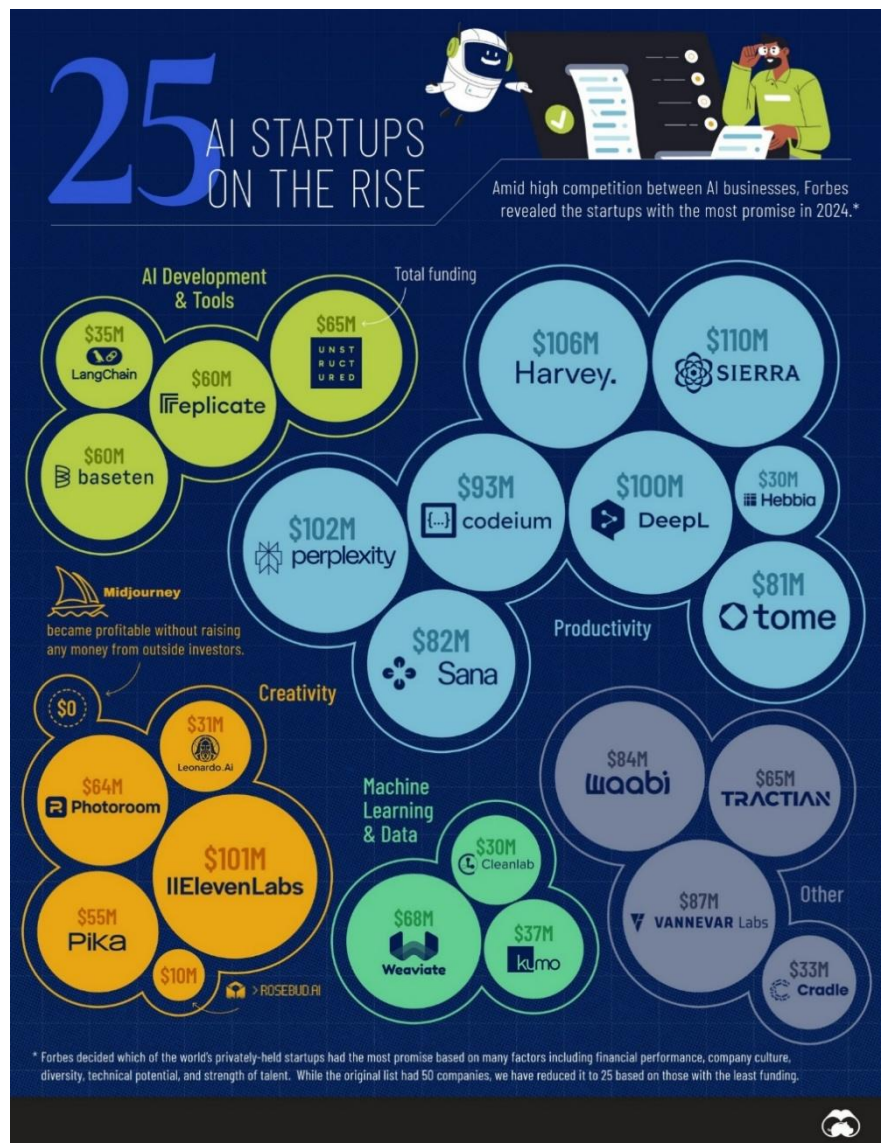
generative AI solutions at various layers. Partnerships and acquisitions between startups and larger firms play a pro-competitive role by injecting new talent, technology, and ideas into the market. Far from entrenching dominance, these arrangements often accelerate innovation and help smaller firms scale.

We strongly disagree with accusation from some policymakers that AI services are somehow more prone to competition problems than other markets with capital-intensive inputs, particularly when this assertion relies on an inaccurate picture of the markets for AI services. The present reality of markets for AI services is much different, featuring robust competitors operating in a range of markets. At present, markets impacted by generative AI are experiencing robust competition at the computing resources, model, and application layers, and any intervention by the Taiwanese government should be predicated on clearly demonstrating the opposite. The App Association submits that claims of competition harms related to generative AI are speculative and/or are based on remote edge use cases.





Importantly, there has been a significant amount of investment in AI startups, indicating strong competition and low switching costs. The reality of these investments foreshadows a future for AI services that is dynamic and competitive, not stagnant and locked up by large companies. A clearer picture of the market as it exists, and as it is likely to evolve, illustrates how ill-advised TFTC would be to intervene. Small businesses are building new AI tools every day, competing with each other and their larger counterparts in the app economy. Taiwanese government efforts to detect and prevent possible future competition crimes, especially when those efforts are based on fiction rather than fact, would upend small businesses' prospects for years to come. As a prime example, we urge TFTC's consideration of a significant survey of European small businesses on the need for and impact of the European Union's AI Act, which shows that a strong majority of Europe-based tech startup founders and investors believe that the EU's AI rules have negatively affected the conditions for starting or scaling up a tech company.<sup>5</sup> We strongly encourage Taiwan to avoid repeating the EU's ill-advised habit of early-intervention into nascent markets, which has reduced the EU's competitiveness.



### The Role of Cloud Services in Driving Small Business Competitiveness and AI Adoption

Notably, cloud computing services have given small businesses and startups greater flexibility, scalability, accessibility, and cost savings, while also enabling innovation and accelerating time to market for new services and applications including in generative AI use cases. Cloud computing services provide small businesses with access to a wide range of cost-effective solutions and on-demand scalable infrastructure support that allow them to focus on their core operations on their customers' needs. The nature of cloud infrastructure, which consists of many independent data centers located in different places, lets small businesses minimize outages and data losses by

<sup>5</sup> <https://www.stateofeuropeantech.com/>.

eliminating single points of failure that still exist for on-premises solutions. In recent year, cloud computing services have been central in enabling accelerated digitization. The tools and kits provided by cloud service providers have allowed smaller businesses to scale their business resources to specific workloads as needed, providing the ability save costs and compete across markets. The App Association seeks to preserve the ability of small businesses to leverage the right cloud service for their needs, and the flexibility to change cloud computing services should those needs shift. We strongly encourage TFTC to recognize the positive correlation between cloud computing services and Taiwanese small business digital economy growth and innovation, and to commit to pursuing policies that will foster a healthy and competitive cloud ecosystem.

Ultimately, in its efforts to understand and address generative AI, TFTC should focus on high-risk scenarios (e.g., health, safety) for which there is a clear evidence base to address. In other words, policy proposals should not be based on remote edge use cases or hypotheticals. Various regulators, including key trading partners to Taiwan, are currently considering or implementing policies that jeopardize the functionality of nascent and developing technology markets, including generative AI. We strongly encourage Taiwan to support pro-competitive dynamics in generative AI markets, which include lower overhead costs, greater consumer access, simplified market entry, and strengthened intellectual property protections for developers. Taiwanese government regulation of nascent markets, including with respect to digital platforms as well as potential new regulation of generative AI, creates barriers to economic growth and job creation and creates significant non-tariff trade barriers that harm Taiwanese consumers.

#### The Role of Trusted Platforms in Driving Innovation, Choice, and Consumer Value

The single most important factor in the app economy's dynamic growth and success is the presence of curated platforms. Trusted platforms serve as a vital foundation for the growing use of apps across industries and enterprises, including now with generative AI. Today every successful platform for mobile, desktop, gaming, and even cloud computing must provide these features or risk failing in the marketplace:

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 market.

For developers looking to reach a general audience, switching costs are low using the internet as an alternative, especially for companies that are looking for different kinds of distribution or search services than those available on platforms. Further, some other options available are “aggregators” that connect people with information and run on data, as opposed to managed online marketplaces for consumers and app developers to transact directly. The variety of choices available to developers illustrates the diversity in the market for distribution methods, as developers may prefer one model over another.

The App Association notes that developers can choose from multiple distribution channels, and curated online market places compete with one another for their business. Many developers pay a fee to platforms for developer services, and they expect those services to meet their needs. Just as online companies must clearly communicate their data practices to consumers, so must platforms clearly define the requirements and details of their terms of service to developers. For example, when platforms change their developer guidelines, they must ensure developers



understand what the changes mean for them and their customer relationships. The App Association is committed to facilitating this critical dialogue amongst developers and platforms to support their pro-competitive symbiotic relationship, which ultimately benefits countless consumers.

Notably, with respect to concerns with self-preferencing and tying that TFTC raises, we caution that blanket characterizations of self-preferencing and tying practices should be avoided because they are more likely to be pro-competitive examples of vertical integration. We strongly urge Taiwanese policymakers to recognize that where such practices can produce greater efficiency, better quality, or lower costs for consumers—and there are minimal antitrust issues when users can easily switch to another platform—they will not be prohibited through government mandates. Moreover, Taiwanese policymakers should expect competition to discipline examples where self-preferencing is bad for consumers because those consumers can leave the platform due to demonstrably low switching costs. Just like other categories of market activity, an antitrust inquiry into generative AI self-preferencing is generally only appropriate where the company at issue has market power and where it is using that market power to harm competition and consumers.

#### Further Study and Deliberations are Needed Before Intervention into Generative AI Markets

In considering whether Taiwanese government intervention into generative AI markets is warranted, it is vital that Taiwanese policymakers carefully consider the above, and that a strong evidence base is developed to support any changes to Taiwanese laws impacting digital economy innovation before changes are made. The foundation for making digital economy policy changes should be based on well-established and systemic harms, not edge use cases or hypotheticals. At this time, the Taiwanese digital economy writ large exhibits strong indicators of healthy competition and growth, and Taiwanese government intervention into the generative AI ecosystem is therefore unnecessary and irresponsible.

In addition, sufficient study should be done to examine whether existing Taiwanese laws already provide the means for ensuring competition and consumer protection in generative AI and whether TFTC's potential interventions would overlapping regulation with existing law.

The European Union's AI Act, like its Digital Markets Act (DMA), is unquestionably a protectionist anti-trade measure that Taiwanese policymakers should carefully avoid aligning with. Further, the EU's AI Act is not fully implemented, nor is its impact on domestic and international digital commerce known. Taiwanese policymakers should carefully track the AI Act's implementation and its effects before mirroring the European Union's protectionist digital economy policies (which have not propelled the EU to global leadership in the digital economy to date). Taiwan has the advantage of observing another major jurisdiction's experimental intervention into a nascent and dynamic digital economy and should fully capitalize on its opportunity to build on the lessons learned through the creation and implementation of the DMA and AI Act. On this basis alone, any premature intervention by Taiwanese government into generative AI markets is ill-advised. Relatedly, the App Association notes that U.S. policymakers have rejected legislative proposals consistent with the DMA and the AI Act. The broader evidence shows AI markets are dynamic, decentralized, and full of promise. Poorly timed or overly restrictive regulations risk reinforcing the dominance of incumbents while sidelining smaller, more agile innovators. Taiwan's opportunity lies in supporting innovation, not replicating Europe's compliance-first model.

Finally, in addition to the public policy and feasibility issues discussed above, we urge Taiwanese policymakers to carefully consider whether Taiwanese government intervention into generative AI markets would create risks of violating obligations under important trade agreements. These include Article 16 of the General Agreement on Trade in Services, which requires that all regulations affecting trade in services “are administered in a reasonable, objective and impartial manner.”

The App Association appreciates the opportunity to provide its perspectives, and welcomes the opportunity to further support TFTC’s deliberations moving forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Scarpelli".

Brian Scarpelli  
Senior Global Policy Counsel

A handwritten signature in black ink, appearing to read "Kedharnath Sankararaman".

Kedharnath Sankararaman  
Policy Associate

**ACT | The App Association**