

May 19, 2025

H.E. AKAZAWA Ryosei  
Minister of State for Economic and Fiscal Policy  
2-2-1 Kasumigaseki  
Chiyoda-ku  
Tokyo 100-8919  
Japan

Dear Minister Akazawa:

ACT | The App Association appreciates Japan's efforts to empower Japanese innovators by facilitating their access to international markets and supporting their ability to compete. A strong and fair digital trade framework is vital to the success of small Japanese businesses innovating across consumer and enterprise markets, and they need your support for their continued investment, growth, and job creation across Japan. We recognize the importance of your ongoing negotiations with the United States (U.S.), including during the APEC Ministers Responsible for Trade meeting, to achieve a reciprocal trade agreement with the U.S. To support your efforts, we highlight key non-tariff barriers that should be addressed during these negotiations.

The App Association represents thousands of small business innovators and startups in the software development and high-tech space around the globe.<sup>1</sup> As the world has embraced mobile technologies, our members create the innovative products and services that drive the global digital economy by improving workplace productivity, accelerating academic achievement, and helping people lead more efficient and healthier lives. Today, the app economy is worth approximately ¥2612 trillion annually and supports more than 579,000 Japanese jobs.

We are encouraged by Japan's commitment to opening markets for Japanese businesses and are optimistic that the ongoing negotiations with the U.S. will lead to a deeper alignment on digital economy priorities. As you negotiate with the U.S. and seek ways to support Japanese small business innovators through digital trade policies and eliminating non-tariff barriers to trade, and otherwise support Japanese economic and national security through a bilateral trade agreement with the U.S., we call on Japan to reconsider proposed RoK mandates for discriminatory digital platform markets that are misaligned with its goals of enhancing investment and innovation in Korea, the Trump Administration's established policy, and commitments Japan has very recently made during the APEC Ministers Responsible for Trade Meeting.

Today's leading curated online marketplaces (COMs) enable micro, small, and medium-sized businesses (MSMEs) to fairly and securely access broader markets at lower costs and with greater efficiency. However, we note that Japan's enactment and subsequent implementation of the Promotion of Competition for Specified Smartphone Software Act ("Smartphone Act") presents significant challenges for Japanese MSMEs seeking to grow and compete in the digital economy,

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<sup>1</sup> ACT | The App Association, *About*, available at <http://actonline.org/about>.

presently representing a significant trade barrier that must be addressed in ongoing trade negotiations with the United States (U.S.).

Enacted on June 12, 2024, the Smartphone Act is modeled after the European Union's (EU's) Digital Markets Act (DMA) but applies more narrowly to a targeted set of software services used on smartphones, including mobile operating systems, app stores, search engines and browsers. Notably, the same software services used on tablets, PCs, and other internet-enabled devices are not within the scope of the Act. Under the Act, the Japan Fair Trade Commission (JFTC) has the authority to impose significant ex-ante obligations on the providers of the specified software if they have more than 40 million domestic smartphone users per month. This threshold was carefully crafted by the JFTC to designate two American companies—Apple and Google, which in April were indeed designated as “essential software” under the Smartphone Act<sup>2</sup>—while excluding domestic competitors and other foreign firms, including Chinese tech companies operating in Japan. It even appears that the JFTC will exclude Japanese search provider Yahoo! Japan, despite evidence that they cross the threshold.

In its application, the Smartphone Act, unless carefully implemented, is poised to take a range of actions that either greatly reduced in their effectiveness or eliminated entirely key utilities MSMEs rely on in COMs—vetting for data stewardship and privacy, cybersecurity risk mitigation, intellectual property dispute resolution, and disability access functionality support, among others. Among other measures, the Smartphone Act and its implementation to date:

- Appears to target American companies while excluding from the legislation, such as gaming app stores, in which large Japanese corporations have a leading market share. Further, Japan is not subjecting Chinese competitors to the Smartphone Act, which may enable those competitors to gain substantial market share in Japan.
- Prohibits app store management, forcing MSME app companies to list their software alongside malware, phishing scams, copycat apps that represent intellectual property violations, and junk apps, exposing consumers to novel security risks
- Applies a prohibition on self-preferencing, stopping search operators from showcasing their most relevant services even when doing so would genuinely improve consumer experience. This could lead to a more fragmented and less effective marketplace, where innovation is hampered, and consumers miss out on the best possible options.

Continuing to pursue inappropriate platform regulatory proposals place Japan at a significant disadvantage in its ongoing negotiations. The Trump Administration has made its opposition clear with respect to digital platform regulatory proposals that appear to specifically target U.S. companies by restricting their operations and effectively prohibit U.S. companies from engaging in normal and beneficial business practices on their platforms.<sup>3</sup>

Even further, continued pursuit of digital platform regulation in Japan runs counter to commitments very recently made within APEC to “ensur[e] that the benefits of digital transformation are

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<sup>2</sup> [https://www.jftc.go.jp/houdou/pressrelease/2025/mar/250331\\_smartphone.html](https://www.jftc.go.jp/houdou/pressrelease/2025/mar/250331_smartphone.html).

<sup>3</sup> <https://www.chosun.com/english/industry-en/2024/12/19/ZMLPRZXJTBJ7NY5PXVVJBNH4A/>.

accessible to all including by bridging digital divides and creating a safer digital ecosystem.”<sup>4</sup> Japan’s digital platform competition regulations, particularly when existing Japanese competition law is positioned to address demonstrated competition concerns and harms, undermine the Work Program for the Implementation of the APEC Internet and Digital Economy Roadmap (AIDER), most notably its goal strengthening business and consumer trust in digital transactions.

Japan’s apparent commitment to new interventions into the digital economy that App Association members power would contribute to a growing delta between it and the U.S.’ approach to regulation and competition, potentially straining the overall Japan-U.S. alliance. Given the historically strong trade ties between these two nations, the potential of reciprocal actions offers an additional incentive for Japan to reconsider its approach to digital platform regulations. The new Japan-U.S. reciprocal trade agreement can and should eliminate this delta by protecting Japanese digital economy MSMEs that rely on COMs to grow and create more Japanese jobs.

We therefore urge you to (1) work with counterparts across the government of Japan to avoid harmful implementations of the Smartphone Act; and (2) in negotiations with the U.S., support access and innovation in new and emerging technology markets, such as digital platforms, by securing commitments to non-discrimination, transparency, and adequate notice and consultation. Taking such steps would represent significant steps forward in supporting Japanese startups and MSMEs, and in supporting Japanese economic security and competitiveness, while also demonstrating global leadership in setting pro-innovation policy.

Thank you for your consideration of this matter and your continued support of strong trade policies that bolster the success of Japanese MSMEs. We welcome the opportunity to meet with you to elaborate on our views and to identify further ways we can support your mission.

Sincerely,



Morgan Reed  
President

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<sup>4</sup> <https://www.apec.org/meeting-papers/sectoral-ministerial-meetings/trade/2025-apec-ministers-responsible-for-trade-joint-statement>.