

Script for the speech by Commissioner Yamamoto
at the 17th East Asia Top level Officials' Meeting on Competition Policy, 28 Sep.
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“Recent Developments and Trends in National Competition Law and Policy- The
Role of Competition Authorities in Responding to Economic Shocks”

I would like to speak today on the session's theme “The Role of Competition
Authorities in Responding to Economic Shocks”.

As you might know, Japan has recently been experiencing economic crises such
as job losses and supply chain fragmentation due to the COVID 19 shock, as well
as price hikes of energy and raw materials due to the Russia-Ukraine conflict. To
overcome these economic crises, the JFTC believes that it is important to actively
promote competition policy. I would like to introduce the JFTC's three priority
initiatives we are working on.

The first is the active promotion of competition policy through enforcement and
advocacy activities. The second is efforts to develop rules for the digital related
sector, and the third is efforts to facilitate appropriate price pass-on shifting from
SMEs to their suppliers including large companies.

Let me start with the first initiative. The JFTC is vigorously working on promoting
competition policy, making use of two important tools “enforcement” and
“advocacy”.

When there are trade practices and regulatory systems that are problematic
under the Antimonopoly Act (AMA) and competition policy, which impede
innovation by business operators, it is important to restore competition by
eliminating violations through strict and appropriate enforcement of the AMA.

At the same time, it is also important to encourage responses to develop a
competitive environment through advocacy to recommend improvements of trade
practices and regulatory reforms. We believe that this will enable us to respond
to the current economic crises.

I will start with the example of the enforcement activities. In Japan, the percentage
of digital related cases in the enforcement of the AMA is increasing. In September
last year, we announced the end of our investigation into Apple Inc. concerning

Apple's practice of forcing application developers to use the payment system within its App Store. In the course of the JFTC's investigation, Apple proposed improvement measures to allow the so called out linking, which enables external payments through reader apps for music streaming services, and so on. After confirming the implementation of these measures, we closed the investigation. Apple has implemented this improvement measure worldwide by the end of March this year.

Next, I will explain our advocacy activities including market studies. The important role of advocacy is to develop a competitive environment by urging related businesses and trade associations to voluntarily improve their trading practices, and recommending the review of regulations and systems by the authorities in charge of them.

In Japan, households tended to bear a high burden of mobile phone communication and data fees, so in 2018 we conducted a market study on the mobile phone market in Japan and published a report on it. This led to a revision of the Telecommunication Business Law, and as a result, consumers became able to choose low-priced telecommunication fees. Since then, we have continued to closely monitor the competitive environment in this market, as well as having conducted a follow-up survey in 2020.

Also, the JFTC has been studying the digital market, especially the transactions in digital platforms. We have published reports regarding transactions on online retail platform and app store as well as digital advertising and cloud based services. And now, we are in the process of conducting a market study concerning mobile OS.

The second initiative is to develop rules for the digital market. The COVID-19 pandemic has further accelerated the oligopoly of digital platform operators such as GAFA. In order to address competitive issues by digital platform operators such as GAFA, and to ensure fairness for users, it is crucial to improve the trading environment in digital field. The Government of Japan is now strongly working on rule-making in digital areas across governmental agencies.

In Japan, the Act on improving transparency and fairness of digital platforms, also known as the transparency act enacted in 2020. This act was enacted as a response to the report on the survey on online retail platform and app store by

the JFTC mentioned earlier.

In order to properly address the competitive issues in the digital market, the need for regulatory rules that go beyond the framework of existing competition laws has become the subject of active debate around the world, including the EU's Digital Markets Act, DMA. In Japan, we expect that discussions on a new regulatory framework including the need for so called ex-ante regulation for digital platforms will continue. Based on the results of the market study, the JFTC intends to actively participate in this work by providing on-the-ground experience in actually enforcing competition laws.

The third initiative is to facilitate appropriate price pass-on shifting from SMEs to their suppliers including large companies. The objective of this initiative is to create a fair business environment in which SMEs, in particular, can appropriately pass price increases in raw material and energy costs on their suppliers including large companies, thereby enabling them, SMEs to earn a fair profit and securing the resources for wage increases.

For this reason, the JFTC has been focusing on the linking of the supply chains in various industries and business categories. And we also have been strengthening measures for monitoring and enforcing against the acts by suppliers that violate abuse of superior bargaining position in order to develop the vertical competitive environment.

I recognize the universal role that competition policy should play, is to eliminate the obstacles to free and fair competition and to create an environment that promotes innovation. From this perspective, the JFTC has been enforcing the AMA with the easy-to-understand catchphrase "no competition, no economic growth".

Unfortunately, the influence of COVID-19 has not ceased yet. However, in order to pursue competition policies that respond to changes in the economy and society, I believe that the JFTC must work together with other competition authorities to promote competition policy based on global standards.

Lastly, I hope that we can continue to further develop the good relationship among the competition authorities, taking advantage of today's meeting.

Thank you for your kind attention.