

Asia Internet Coalition (AIC) Feedback on the Consultation on Fact-finding Survey on the Generative Artificial Intelligence (AI) Market, Japan

22 November 2024

To
The Market Study Section,
Office of Policy Planning and Research for Digital Markets,
General Affairs Division, Economic Affairs Bureau,
Japan Fair Trade Commission (JFTC)

The [Asia Internet Coalition](#) (“AIC”), appreciates the opportunity to provide feedback on the Japan Fair Trade Commission’s (JFTC) discussion paper on competition in generative AI markets. AIC is an industry association comprised of leading Internet and technology companies in the Asia Pacific region with an objective to promote the understanding and resolution of Internet and ICT policy issues. We recognize the importance of balanced and forward-looking competition policy in fostering innovation, enabling growth, and ensuring a fair and competitive environment for all market participants, from startups to established players.

Below, we offer our views on several key areas of interest, including open-source AI models, partnerships, and training data considerations. We hope these insights contribute meaningfully to the JFTC’s efforts in developing an informed and effective policy framework.

1. Open-Source AI Models (pp. 12-13 of the JFTC Discussion Paper)

Open-source models play a vital role in fostering a competitive environment for generative AI. They lower entry barriers, enabling startups and new entrants to develop and deploy AI solutions without the prohibitive costs often associated with proprietary models. Open-source AI models encourage transparency, enabling broader review and improvement of technical specifications, thus contributing to safety, security, and accelerated technological advancements.

Recommendation:

- **Encourage a ‘responsible’ open-source approach:** JFTC should consider policies that enable or promote responsible open-source AI development. This approach would help balance the benefits of innovation and transparency with the need to mitigate risks.
- **Support for Innovation and Collaboration:** Open-source AI models enhance innovation, foster collaboration, and support economic growth by providing affordable solutions and facilitating technological advancement. As highlighted in a Stanford University paper, open access to model weights can drive innovation in downstream markets, thereby reducing market concentration at the foundational model level.

- **Enhanced Security:** Open-source AI allows for external scrutiny, which helps to identify and mitigate potential biases, bugs, and safety risks, improving the overall security of AI models. While closed models restrict access, they are not immune to risks such as hacking or reverse engineering.

2. Partnerships in Generative AI (pp. 12-13 of the JFTC Discussion Paper)

Collaborative partnerships between large technology firms and startups are crucial for the development and scaling of generative AI. These partnerships allow startups to access resources, secure investments, and leverage existing technologies, while larger firms benefit from the innovation and agility that startups bring. Concerns about such partnerships strengthening the market position of dominant players should be evaluated based on the specific facts of each arrangement, as partnerships are often pro-competitive and many will not raise competition concerns, and balanced against the need to foster a healthy ecosystem of innovation.

Recommendation:

- **Promote Pro-competitive Partnerships:** We urge the JFTC to recognize the pro-competitive nature of such collaborations. Partnerships between startups and larger firms enable the development of new features, increased consumer choice, and drive innovation.
- **Avoid Restrictive M&A Policies:** Mergers and acquisitions (M&A) are a critical aspect of the startup ecosystem. Startups often rely on M&A as an exit strategy, enabling them to scale and commercialize their innovations, diffusing AI technology to broader audiences. An overly restrictive approach could limit investment, hinder growth, and stifle innovation within the generative AI sector.
- **Guidance on Procedural Aspects:** More detailed guidance on what constitutes a relevant merger situation in the context of AI partnerships would be beneficial for market participants.

3. Training Data for Generative AI (pp. 6 of the JFTC Discussion Paper)

The development of generative AI requires extensive training data, which has led to challenges, particularly around data usage rights and copyright. While the use of publicly available data for training has enabled rapid advancements in AI, concerns about copyright and data acquisition remain.

Recommendation:

- **Avoid Overly Restrictive Data Usage Regulations:** It is crucial that the JFTC avoids placing excessive restrictions on the use of training data, which could hinder the development of high-quality AI models. Policymakers should prioritize flexible, industry-led mechanisms, such as voluntary, machine-readable opt-out tools (e.g., robots.txt).

- **Support a Balanced Approach to Transparency:** Transparency requirements should be reasonable and aligned with the technical realities of AI development. Imposing disproportionate compliance burdens on developers could undermine the ability to innovate and bring competitive products to market.
- **Recognize the Benefits of Diverse Data:** To develop robust and effective AI models, access to a wide range of training data is essential. Limiting the availability of training data could lead to less comprehensive models, potentially introducing biases and reducing the effectiveness of AI solutions. A balanced approach is needed to ensure that both innovation and user rights are upheld.

Generative AI holds the potential to drive significant economic growth, innovation, and improvements in productivity across various sectors. To fully realize these benefits, it is essential that competition policy fosters a supportive environment that allows both large and small players to thrive. Open-source AI models, balanced partnerships, and a flexible approach to training data are key components of this environment.

AIC is committed to engaging constructively in this consultation process and remains open to further dialogue with the JFTC to ensure that Japan's competition policy for AI remains conducive to growth and innovation.

We appreciate your consideration of our input and look forward to contributing to the ongoing discussion.

Should you have any questions or need clarification on any of the recommendations, please do not hesitate to contact our Secretariat Mr. Sarthak Luthra at Secretariat@aicasia.org.

Sincerely,

Secretariat
Asia Internet Coalition