

Apple and Google's app store fee battle reaches a watershed

Article

The news: The **South Korean parliament** passed a bill yesterday to stop **Apple** and **Google** from forcing app developers to use their respective payment systems, becoming the first country to impose a ban on the practice, per CNBC.

- Developers in South Korea will now be able to circumvent the companies' hefty 15% to 30% app store fees by directing customers to alternative payment platforms.

- According to The New York Times, both companies have been lobbying South Korean lawmakers, government officials, and even the public, for months to prevent the law from passing.

The reaction: An Apple spokesperson told CNBC that the move would put consumers at risk for fraud, while a Google spokesperson said it would hurt the company's ability to provide the **Android** operating system (OS) for free.

How we got here: South Korea may have broken the dam, but it's been close to cracking for a while.

- Apple and Google have **faced several lawsuits** in the US and the EU in recent months. And laws that mirror South Korea's have recently been proposed in both markets, too.
- In 2020, **EU tech chief Margrethe Vestager** proposed the **Digital Markets Act**, which would force Apple to allow sideloading, or downloading apps from third parties without going through the App Store, per Reuters.
- And last month, US senators **introduced** the **Open App Markets Act**, with a very similar set of stipulations.

Key stats: The app stores are currently big business for both tech companies.

- Apple's App Store grossed \$50 billion in 2019, CNBC estimates.
- Google's Play Store grossed \$8.5 billion that same year, per a court filing unveiled this past weekend.

What's next? Apple and Google are pushing back, as expected, but there's little else the two can do in South Korea.

- Instead, they will likely redouble their lobbying efforts in the US and EU, which are far bigger markets—but with lawmakers across party lines in favor of Big Tech regulation, it's unlikely that those efforts will pay off.