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Remarks on the competition in Generative AI

The Danish Chamber of Commerce is grateful for the opportunity to provide insights on the Commission's deliberations regarding the competitive landscape of Generative AI. We offer our observations and recommendations as follows:

General remarks

The Danish Chamber of Commerce commend the Commission's dedication to analyzing the competitive elements of generative AI, highlighting the critical need for Europe to take a proactive stance in the global AI race. This commitment is vital to unlocking and increasing opportunities for European enterprises within AI.

Artificial Intelligence stands as the frontier technology calling for intense focus and strategic investments now and in the future. A proactive approach is urgent in order to shape an ecosystem where European entities can accelerate in developing and deploying AI solutions. The evolution of AI signifies the emergence of a competitive arena on the global stage. Regrettably, Europe lags behind in this field, as the global AI market is dominated by large non-European players, due to their dominance in both the market penetration of their enterprise and consumer AI products as well as in terms of the capital investments made in AI development.

The stakes for Europe are considerable, touching on facets of competitiveness, innovation capability, growth potential, and the dependence on external technology players and hence the lack of European 'technological sovereignty'. Establishing a robust European digital ecosystem that champions and leverages responsible AI as a strategic advantage and competitive edge is paramount. The challenge, however, is how to realize this in practice.

Significant hurdles remain in this regard, including related to Europe's ability to effectively channel EU's funds and resources provided through a series of EU innovation projects, to its enterprises, a general trend that we fear might extend to the AI area. Another challenge is that it can be difficult for European companies to scale their businesses in Europe, which also applies to AI solutions. Fostering an environment where European AI startups not only emerge but also scale and remain within the continent demands further regulatory alignment and development of Europe's Digital Single Market, as well as enhancing the attractiveness of investments in AI competencies for the European business sectors.

Specific remarks

Drivers and issues of competition

A crucial aspect of supporting European competitiveness involves creating more favorable conditions for investments and by encouraging more investors to channel risk-willing-capital to European AI entrepreneurs and start-ups. One of the major challenges for Europe's AI ambitions is the exodus of numerous European AI firms deciding to raise capital and to expand outside the EU. This represents a substantial challenge to the EU's competitive edge, impacting its strategic position not only in the immediate future but also in longer-term. While multi-faceted and complex in its nature, the inability of Europe to retain its most promising AI-companies and to scale them inside the EU remains one of the most urgent challenges to address. This should be top-of-mind for the Commission to address.

If the EU fails in supporting the region's competitiveness, we risk reinforce trends towards data monopolization and market concentration in generative AI, leading to a few companies controlling key data and a market dominated by major players. This will stifle competition, innovation, diversity, and consumer choice, highly emphasizing the need for the EU take the right measures to support competitiveness in the field of generative AI.

The EU has been a trailblazer in taking forward and defining the global standard in terms of the regulatory agenda for AI. As the agenda moves towards implementation of the broader digital regulatory framework it is of paramount importance that the EU at the central as well as at the decentral / national level orient itself towards a focus on supporting innovation and the development of a stronger AI-friendly ecosystem and ensuring a level playing field for European companies across EU-27. The Danish Chamber of Commerce in this regard supports the AI Innovation Package and emphasizes that a business-oriented approach to AI is crucial. However, we are concerned that this is far from sufficient and that the amount of access requirements and bureaucracy will differentiate the access to these opportunities, benefiting only a few instead of benefiting many regions and businesses.

Therefore, we see a need for the Commission to consider additional measures that can support European companies in building better competencies and allocating resources, as well as a much more ambitious and far-reaching effort to provide better access to high-quality data sets, data sharing, high performing computational resources, algorithms, robust infrastructure, and skilled personnel in order to foster and leverage European AI innovation and scalability.

The advancement and opportunities within new generative AI solutions are rapidly expanding, including in the open-source space. However, there are emerging questions about whether the prevailing business models and the framework conditions and dynamics of the global digital economy might be considered barriers for European AI startups to emerge and scale. From a business perspective, even for some of the most successful European AI startups it is difficult to position as genuine and independent alternatives to the non-European global platforms.

We see emerging initiatives launched amongst some European businesses to develop their own AI-projects using open-source technology. Open source reduces entry barriers, making advanced

AI more accessible and affordable. It encourages innovation through collaboration and quick development cycles, and promotes transparency with open, auditable codebases. However, this process demands access to specialized skills (in-house or in partnerships), big data sets, and considerable resources. Regrettably, the reality is that such capabilities are beyond the reach of most European companies, especially SMEs, positioning them at risk of being reduced to AI-consumers (contributing to other's algorithmic capacity building), instead of leveraging AI for genuine in-house innovation – or at least reducing the monetization of Europe's industrial and business data, and weakening the EU's competitive edge.

While The Danish Chamber of Commerce clearly acknowledges and welcomes the benefit of having global tech companies investing in the European market, and partnering up with European costumers, there is a growing concern over the limited innovation within the European digital sector, underscoring the need for a more diverse technological ecosystem. The EU could be facing a situation with de-facto market failure due to the market dominance of a few select technology companies. In order to increase genuine choices between technology providers reducing the cost of AI technology, the Chamber of Commerce acknowledges the need to focus the political as well as the regulatory agenda on creating European champions with global competitiveness.

Regulation

The Danish Chamber of Commerce supports the EU's regulatory framework for AI and data. We welcome both the AI Act, the Data Act, the DMA, the DSA and other key pieces of legislation. They are important in order to set guardrails, ensuring ethical and responsible AI building on European values, and they are also key in order to ensure the above-mentioned need for fair competition and reduce dependency and market dominance.

We welcome the overall risk-based approach of the AI Act, as well as the efforts to target the large foundation models in a balanced and smart manner. It remains to be seen if the thresholds and measures established by the AI Act strike the right balance, including with regards to ensuring fair competition.

Furthermore, it will be important to monitor and follow how the AI and cloud markets develop as we see how the Data Act and the DMA are implemented, not least as it relates to the aspect of switching and vendor-lock. This is in particular important as AI, cloud and productivity tools are often offered in packages from a business offering perspective, thus reducing the feasibility of switching between competitors in the marketplace.

At the same time, however, we also share the concern that regulation risks stifling innovation in Europe due to the administrative and compliance burdens on companies, and not least European SMEs in the AI space. In this regard, harmonized implementation of the AI Act across all member states is crucial in order to ensure a level playing field as well as framework conditions fit for scaling. The Danish Chamber is highly engaged and in dialogue with the Danish authorities regarding this matter. It is of critical importance to the competitiveness of European AI companies that they have access - without barriers or unnecessary compliance burdens – to the totality of the EU market across EU27. This is particularly the case for the SMV-segment.

The Danish Chamber of Commerce offers its expertise

AI is a highly prioritized area in The Danish Chamber of Commerce both politically and from a business perspective. Therefore, DCC has united several Danish key players from the business sector under the auspices of Denmark's first and only AI Coalition, actively aiming to identify AI strongholds, barriers, and issuing specific recommendations to accelerate AI efforts and nurturing the AI ecosystem. DCC and the AI Coalition are ready to provide continuous advisory support and engage in discussions regarding European AI initiatives. DCC and the AI Coalition intend to publish a report in the near future, which can also be considered a contribution to the European digital agenda. Ensuring fair competition – and strengthening Europe's competitiveness – will be a top priority in this regard, and we stand ready to expand on our upcoming recommendations when they are launched.

Best regards

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