



## Europe's biggest AI challenge is low adoption, argues the Centre for European Reform

As it finalises the AI Act, many EU politicians are fretting about the risks and dangers of AI. But the EU faces a bigger problem: low take-up of the technology. China and the US, fuelled by state subsidies, are challenging the EU's strengths in advanced manufacturing. And in services, which now account for about 70 per cent of the EU's output, European companies are less innovative than American ones. To maintain its competitiveness, the EU needs to improve its productivity. Artificial intelligence (AI) offers a promising way to do this.

In a new Centre for European Reform report, '[How Europe can make the most of AI](#)', Zach Meyers and John Springford argue that European policy-makers should focus on getting businesses to adopt the technology. Europe may not itself be an 'AI superpower': most 'foundation' AI models that will later be adapted for particular businesses are American. But European firms have been slow to adopt new technologies, and governments can achieve higher economic growth by helping to disseminate existing technologies, rather than focusing on inventing cutting-edge ones.

To speed dissemination, European policy-makers should focus on three things. First, they should ensure there is vigorous competition between companies providing AI foundation models. Antitrust authorities should not assume AI will suffer the same competition problems that plagued other tech markets. But authorities do need to equip themselves with the skills, knowledge and tools to act quickly if AI markets consolidate too much. Second, European governments should support AI deployment, for example with tax incentives and immigration rules that help firms hire tech-savvy workers. Third, the EU needs to focus on giving firms certainty about the legal consequences of using AI. The EU's upcoming AI Act has promise – but EU law-makers should consider ways to ensure low-risk uses of AI are as easy for businesses to adopt as possible.

*"European companies tend to adopt new technology about 10-15 years later than American ones do. In the 1990s, US productivity growth jumped when firms learned how to use computer software to become more efficient – but Europe, which invested less in technology, missed out,"* said John Springford. *"The EU needs to avoid this happening again."*

*“Competition is intense, foundation models are proliferating, and open-source software is making it easier than ever for small firms to develop niche AI products,” said Zach Meyers. “The challenge for antitrust regulators is to act quickly if the market starts to close up – in other tech markets, interventions were too little, too late – but keep a hands-off approach while competition is thriving.”*

**Notes for editors:**

For further information on the new research and to request an interview with Zach Meyers [@Zach CER](#) or John Springford [@JohnSpringford](#), please contact Octavia Hughes in the CER press office on [pressoffice@cer.eu](mailto:pressoffice@cer.eu) or +44 (0) 20 7233 1199.

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