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Executive Summary

The geopolitics of AI governance are in flux. This paper offers an analytical framework for understanding and mapping the positions of the main actors in that field — the USA, China, the ‘middle powers’ and the EU — and uses it to draw recommendations on the geopolitical options available to the EU.

This paper offers a three-level analytical framework. First, each jurisdiction pursues substantive policy objectives with its AI governance scheme. Broadly speaking, the same main policy objectives — prevention of harm to protected interests, protection of fundamental rights, promotion of innovation, industrial policy, management of the socio-economic impact of AI, national security and digital sovereignty — are present across all jurisdictions under study. However, each jurisdiction has its own set of priorities and trade-offs, which can also vary over time. Second, beyond substance, the State disposes of two levers of governance: assertion of direct control over AI through regulation and associated instruments (the vertical axis), and indirect influence over the amount and dispersion of private power in the AI ecosystem (the horizontal axis). Together, these two levers yield a two-dimensional space with four quadrants, each representing a distinctive governance posture (see at the end of the executive summary for an illustration). Third, each jurisdiction has its own set of preferences regarding the geopolitical dimension of AI governance, namely whether global harmonisation is desirable and on which terms.

China’s AI policy places it in the upper-left quadrant: strong State control, combined with private firms that are effectively subordinated to State objectives. Its policy has been consistent since the 2017 AI Development Plan, with the focus now broadening from AI development to AI diffusion throughout the economy. US federal policy has shifted significantly. Under the Trump administration's 2025 AI Action Plan, the federal government has moved away from a more market-driven approach, towards asserting State influence over the entire AI technology stack, primarily in the name of winning the geopolitical race with China. This brings US federal policy closer to the Chinese model. Meanwhile, several US states — most notably California and New York — have enacted AI legislation broadly consistent with the earlier Biden-era approach, creating an unresolved state-federal tension. For the sake of simplicity, the paper bundles together ‘middle powers’ (UK, Canada, Japan, Singapore, and others) even if the set is not fully homogenous. These are structurally constrained: they face concentrated private power largely in foreign hands and cannot effectively match the ambitions of the two emerging digital empires. They favour multilateral harmonisation and soft-law approaches.

Industry trends suggest that private power in AI is more contested than policy discourse commonly assumes. Whilst frontier models appear concentrated in a few mostly US-based firms, the broader technology stack is more fragmented. Strong competitive incentives and the prospect of commoditisation of AI could lead to greater dispersion of private power over time, though this outcome is not guaranteed and could depend in part on the policy environment.

Against that background, the AI Act (AIA) pushes the EU towards the upper-right quadrant — assertive State control via regulation in an environment of concentrated private power. Next to the AIA, competition law and the DMA aim to disperse that power, pushing EU policy further to the left. With the US now playing the digital empire card, the EU now finds itself in a pivotal position in global AI geopolitics.



We recommend that the EU should not attempt to move to the upper-left quadrant and replicate the digital empire model of the USA or China. A more realistic and analytically sounder path is to form a credible countermodel in partnership with the middle powers, grounded in a common approach to substantive policy priorities of AI governance. Concretely, this requires integrating the two levers of governance — State control through the AIA and associated instruments, and the promotion of more dispersed private power through competition law and DMA enforcement — into a coherent policy framework, so that EU AI policy progressively moves towards the lower-left quadrant: moderate State control combined with a more competitive and dynamic AI ecosystem. That is the quadrant that best serves the interests of the EU and its partners, for whom AI is more valuable as a fundamental input across the economy and society than as a geopolitical end in itself.

Figure: Two levers of governance and positioning of the jurisdictions under study

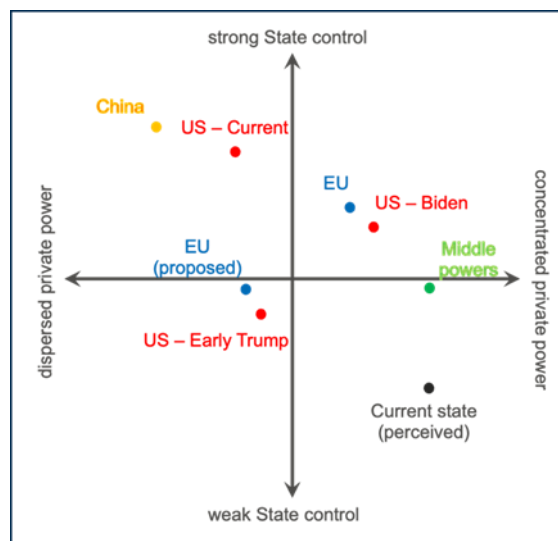




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Introduction

Governance of AI is one of the main areas where the current geopolitical upheaval is playing out. A year ago, one could already map how the Draghi report, the incoming Trump administration and the success of DeepSeek led the EU, the US and China to reposition themselves, in a reshuffling from the situation in 2024. At the start of 2026, events in the last months warrant yet another revision.¹ No doubt further movement is in the offing as 2026 unfolds.

The purpose of this paper is not so much to give an instant picture of the geopolitics of AI governance as they appear at this moment, but rather to try to explore possible evolution paths for the positioning of the EU as regards AI governance globally. Even though it may seem as if the situation is continually evolving, the universe of possibilities is not infinite.

The first section sets out a three-part analytical framework that will be used to map and compare the positions of some of the main geopolitical actors in AI governance (1). That framework is distinctive in that it emphasises – next to the substantive policy objectives and the geopolitical preferences - two levers of AI governance that are rarely considered together, namely State control and private power. On the basis of that framework, the second section surveys the evolution of AI policy in China (2.1.), the United States (2.2.), the middle powers (2.3.), together with international efforts (2.4.). A third section looks at the private actors and covers industry trends as they pertain to the analytical framework (3.). In the light of Sections 2. and 3., the fourth section reviews the position of the EU and draws some implications for EU policy development (4.). The fifth section concludes (5.).

¹ So much so that a recent work such as Anu Bradford's *Digital Empires* (Oxford, 2023) despite its undeniable quality, already appears dated. Nonetheless, the “digital empire” metaphor remains a useful construct that will be employed throughout this paper.



1. An analytical framework for the geopolitics of AI Governance

1.1 Substantive policy objectives of AI Governance

This paper is meant to address AI governance from a general perspective, without venturing too deeply in any specific substantive aspect. From that perspective, the substance of AI governance covers a set of policy objectives, which can be listed as follows, in no specific order:

- *prevention of harm to protected interests*, including typically safety, health, the environment and consumers. This is typically the realm of risk regulation, with perceived risks from AI ranging from “usual” risks linked with technological products to “existential” risks for humanity;
- *protection of fundamental rights*, such as privacy/personal data, non-discrimination, due process and procedural guarantees, which could be associated with the previous priority, but is usually distinguished, if only because of the constitutional dimension;
- *promotion of innovation*, which has now become a priority of its own in political and policy discourse, despite critical voices.² It includes measures to foster innovation in AI as such and of innovation throughout the broader economy and society as a result of introducing AI;
- *industrial policy*, which nowadays tends to be framed as a matter of competitiveness, with concern for national champions, strategic sectors, and so on. Here as well, these objectives can apply to the AI sector as such or to the broader economy;
- *dealing with the impact of AI as it spreads throughout the broader economy and society*, for instance on labour markets, health care, finance, and so on. This concerns a large swathe of measures within various policy and legal domains;
- *national security and digital sovereignty*, which came to the fore in the wake of the current geopolitical tensions. They lead to measures designed to protect critical assets against foreign interference and reduce dependency on foreign firms and countries.

Typically, these policy objectives are all present in the AI governance schemes of the jurisdictions under study in this paper. However, they are not all compatible with one another; some objectives must be prioritised over others, and trade-offs must hence be made. Which priorities are set and which trade-offs are made is for each jurisdiction to decide, and that is where some divergence can be observed, as will be explained further below. Next to this variation across jurisdictions, there is also room for variation over time, as jurisdictions reassess their priorities or political direction changes.

² Properly understood, from a policy perspective, innovation involves three distinct elements: (i) an invention, (ii) that is diffused and adopted throughout the economy or society and (iii) has a positive impact in the light of public policy and fundamental rights. These three elements are spread out over the list presented in the main text, reflecting the discourse of AI governance. When policymakers, economic actors or even academics refer to the promotion of innovation with respect to AI as such, they usually mean the promotion of invention. Diffusion of AI comes into the picture when the discourse shifts to promoting innovation across the board: the uptake of AI is then seen as an ingredient in fostering innovation in other sectors.



1.2 Levers of AI Governance

1.2.1. *Two levers in a two-dimensional field*

In pursuance of the mix of policy objectives described above, public authorities have two main levers, one direct and the other, more indirect. They could be pictured as the two axes of a two-dimensional field:

1. *Direct State control.* The extent to which the State is both *willing* and *able* to exert control over “AI”, being loosely understood either strictly as a technology or more broadly as a technology being deployed in a socio-economic context (industry/cluster/ecosystem). The room left to the private sector to exert leadership is conversely related to State control.

Even though willingness and ability are two distinctive qualities, we regroup them for the sake of analysis, on the assumption that it is their intersection that truly matters. A State might be intent on exercising full control over AI but lack any means to do so in practice, or it might be fully able to exert control but credibly committed not to do so: in either case, the result is that the private sector is left with significant leeway over AI. Only when the State both holds the ability to exert control over “AI”, and is animated by the will to do so, can we meaningfully speak of State control.

2. *Indirect influence on the level and concentration of private power.* In the case of AI, irrespective of how much control the State exerts, there is always an ecosystem of firms that research, develop, test, and market AI products.³ That private AI ecosystem is characterised by the presence of private power, i.e., the power to influence the ecosystem, with the continuum ranging from a few actors holding very significant power all the way to a more diffuse ecosystem, where few actors hold any significant power. While this continuum bears an obvious kinship to competition law analysis, it extends beyond a mere static measure of industry concentration.

For instance, the topology of private power also affects innovation, in the sense that a limited number of powerful actors gives them the necessary scale to embark on some innovation paths that might be unattainable for smaller actors. At the same time, to the extent these few firms influence one another, innovation paths are then mostly limited to whatever emerges from a narrow “thought collective”, whose members might be focused on chasing a shared goal.⁴ More dispersed power could mean more diverse innovation paths, including disruption.

This second dimension can be understood descriptively, i.e., as the actual situation with respect to private power. Of course, that situation is dynamic; it is liable to change over time, for instance if and when AI technology develops so as to create pressure on currently powerful actors, or even to displace or disrupt them.

³ The term “AI products” is used in a general sense to include both AI models and AI systems, as they may be defined in specific instruments.

⁴ In that sense, it is possible that intense short-term rivalry (to take the leadership position on the path to the shared goal) would be coupled with a fairly unidimensional long-term perspective.

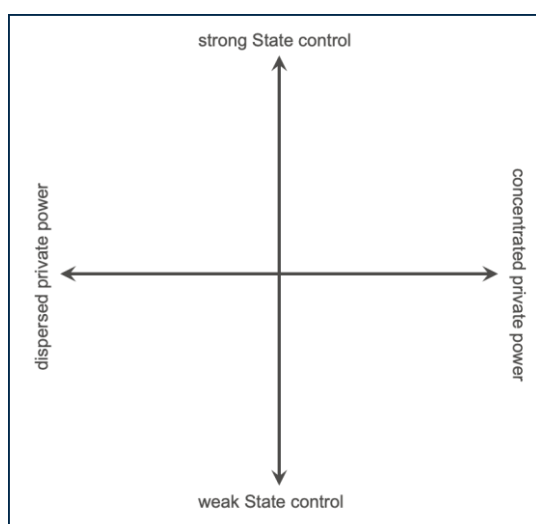


At the same time, public authorities can alter the distribution of private power, towards either increased concentration or greater dispersion, through a number of instruments at their disposal, most obviously – but not only – competition law. In contrast with the instruments that are used to exert direct control over AI, here the State uses the tools at its disposal to act indirectly on the AI ecosystem, by affecting the ability of private actors to build or maintain private power.

The two axes are interrelated. As just mentioned, the State has means to affect the distribution of private power. Conversely, the distribution of private power affects the ability of the State to exert direct control in many ways. Greater concentration makes it easier for the State to monitor private actors (there are fewer of them), but at the same time the power relationship between the State and these few private actors is more balanced, with the State ultimately being vulnerable to capture. In contrast, greater dispersion reduces legibility for State authorities, but it makes them more powerful if and when they succeed in figuring out how to intervene.

The following figure emerges, which will be populated in the course of this paper:

Figure: Two levers of AI governance



The positions staked by States in matters of AI governance can be placed on that figure by reference to each of these two dimensions.

1.2.2. Four Quadrants

By necessity, both dimensions in the above figure represent aggregate properties (State control, private power), that can have different meanings depending on the context. In order to better explain how the figure works, it is useful to look at each quadrant in turn, going counterclockwise from the lower-right quadrant.



The lower-right quadrant is characterised by concentrated private power, coupled with weak State control. In many jurisdictions, this is how public authorities – rightly or wrongly⁵ – assess the current state of play. For many of these authorities, this state of play appears prone to create adverse, if not outright catastrophic, outcomes, when private power is both significant and unconstrained by the State.

The upper-right quadrant, in turn, sees concentrated private power matched by strong State control. In other words, two strong forces are at work (private power and State control), they are distinct from one another and they balance one another. Typically, such balancing is conducted via regulation, whereby the State uses its means of control to seek to channel or at least influence how private actors exert their power. Regulation can be accompanied by supply-side (industrial policy) measures designed to stimulate activity relating to specified economic sectors or elements. Even if State control counterbalances concentrated private power, in total there is nevertheless an accumulation of power on both sides, such as is bound to create tensions and generate error risks.⁶

In the upper-left quadrant, strong State control takes place against a backdrop of dispersed private power. The defining characteristic here is that State control goes beyond regulation, which presupposes a relationship between distinct State and private actors, to reach a point where the will (and hence the behaviour) of private actors is subordinated to the State. In other words, the distance between State and private actors is reduced, if not eliminated, and private actors are an instrument of State policy. Power is centralised in the hands of the State. In this context, it matters less whether private actors are few or numerous, since they have little private power to exert. In that sense, private power is thus dispersed. Alternatively, private actors can collude with the State to create a single nexus of power.⁷ The combination of strong State control and dispersed (or co-opted) private power means that the outcome in this quadrant depends to a large extent on whether the State can successfully steer and instrumentalise private actors, or rather drives AI into a dead-end.⁸

Finally, in the lower-left corner, whilst private power is dispersed much as in the upper-left corner, State control is weak. Accordingly, there is no single force (State control or private power) driving events. Under these circumstances, the dispersion of private power must mean that the private actors are numerous and that they evolve in a dynamic, competitive environment. As an additional feature, such a combination of weak State control and dispersed private power creates an “area of freedom”, unaffected by either State control or private power, which opens the door to unforeseen or unexpected outcomes.⁹

⁵ See Section 3 for the discussion of whether private power is concentrated or dispersed.

⁶ The error risk comes not so much from the potential mismatch between the underlying state of the world and actual decisions, which is always present, but rather from the fact that more decisions need to be taken.

⁷ One can then debate whether the State is in charge or has been captured by the most powerful firms. In both cases, the distance between the two poles of private power and State control that characterises the upper-right quadrant (and underpins the use of regulation) has vanished, and there is a single, integrated nexus.

⁸ The second option is realistic, since it will be recalled that AI stands out amongst technological waves of the past 30 years in that the State had and still has fairly limited involvement in its research and development. Hence it suffers from a significant knowledge deficit as regards the technology, and greater State control over the technology could simply result in misguided efforts and hence impoverished technological progress.

⁹ For instance, if many diverse, unrelated and competing AI Systems are operating in parallel within that area of freedom, they could form a complex adaptive system in the aggregate, potentially exposing unforeseen emerging properties. In contrast, in the other quadrants, the presence of strong State control or concentrated private power (or both) would make it more likely that firms or the State will want to control how these properties might emerge.



1.3 The geopolitical dimension

The first two steps in this analytical framework (selection, prioritisation and trade-offs between substantive themes; choice of levers) can be applied in isolation to each jurisdiction under study. Of course, on AI governance, no jurisdiction operates in isolation. Geopolitics plays a role: each jurisdiction considers what the others are doing in the course of its own reflections and revisits its own decisions in the light of what happens elsewhere. Hence, the third step in the analytical framework is to assess the geopolitical dimension of AI governance in each jurisdiction.

This includes two sub-issues. The first one is whether the State prefers to implement its AI policy in a globalised environment or rather on a standalone basis. In other words, what is the preference regarding global harmonisation (or regulatory interoperability, as it is often referred to)? In a globalised context, achieving a satisfactory level of harmonisation on AI governance is a pre-requisite to unlocking the advantages from trade and more generally from the free circulation of the technology. Note that the direction of trade also plays a role here; a State could opt for a standalone approach on the assumption that AI originating from that State can still be exported everywhere. This assumption may or may not prove correct, to the extent that other jurisdictions can try to assert their power to control imports of AI products.¹⁰ Conversely, a standalone policy might prove unrealistic in a situation where a jurisdiction is dependent on AI suppliers from other jurisdictions, if the home-grown industry cannot be at the technological frontier.¹¹

Secondly, should there be a preference for harmonisation, the question is whether and with whom. Some other jurisdictions might be more attractive partners than others, for reasons having to do with substantive policy choices or with politics.

It should be noted that the preference regarding harmonisation is both upstream and downstream from the first two dimensions. It will inform substantive policy choices and the combination of levers, and at the same time, these decisions will also influence the perceived need for harmonisation.

The above provides a conceptual framework against which to assess the geopolitical developments of the past months and years. The following section reviews the positioning of the main geopolitical actors, leaving the EU aside for the time being.

¹⁰ Given that AI products are largely immaterial, whilst relying on physical infrastructure, controlling imports extends not just to import blocks, but also to applying domestic regulation to imported products.

¹¹ Note that, at the EU level, the same line of analysis can be made with respect to intra-EU cross-border trade. Indeed, this was one of the main considerations behind the enactment of the AI Act (Regulation 2024/1689 laying down harmonised rules on artificial intelligence (AI Act), OJ L 2024/1689, ELI: <http://data.europa.eu/eli/reg/2024/1689/oj>), which is based on Art. 114 TFEU, the competence to harmonise legislation in order to implement the internal EU market.



2. Geopolitics of AI Governance

2.1 AI Governance in the PRC

Description

AI Governance in China has been relatively stable since the 2017 AI Development Plan.¹² The backdrop to this Plan was a perception on the part of policy makers that China lagged behind in research, development and diffusion of AI, and that it needed to catch up. In keeping with the general approach to economic and industrial policy in China, the Plan set targets for 2020, 2025 and 2030. The 2020 and 2025 targets related to catching up with the global state-of-the-art, and to putting AI at the centre of China's economic transformation, respectively. They could be seen in the context of fostering Chinese industry and reducing the gap with the US.¹³ Nonetheless, they were considered assertive, if not aggressive, by China's major trading partners. The 2030 targets – where it is expected that China would become the world leader on AI – are more openly outward-looking and indicative of a willingness to go beyond catching up and enter a competitive race with other countries.¹⁴ The success of Chinese firms such as DeepSeek made it clear that China could conceivably reach this target.

The Plan takes a “systemic” approach¹⁵ to AI, and hence extends to technological and economic aspects surrounding AI.¹⁶ With respect to the latter, private firms are seen as instruments in the implementation of the directions set out in the Plan, on the assumption that market mechanisms lead to faster progress in product development.¹⁷ Notably, the Plan also favours open-source and information sharing, here as well implying that firms are working within a larger State level endeavour.¹⁸ The plan also takes a broad view of AI (albeit not quite the “AI technology stack”), encompassing infrastructure, education, as well as deployment throughout industry, society, the public administration and the military.¹⁹

After 2017, the main regulatory evolution of the Plan concerned the legal framework for AI, with the introduction of regulations on algorithmic recommendations, deepfakes and generative AI in 2021, 2022 and 2023 respectively.²⁰

¹² Notice of the State Council on Issuing the Development Plan for the New Generation of Artificial Intelligence (20 July 2017), translation available at <[regulations.ai/regulations/RAI-CN-NA-NSCIDXX-2017](http://www.cac.gov.cn/2017-07/20/c_1642894606364259.htm)>. References are made to the translated version.

¹³ See Bradford, *supra* note 2 at 75-77.

¹⁴ Since Chinese policy is State-driven, as explained further below, it is only fitting that the race would be conceived as between countries, as opposed to firms.

¹⁵ Which is similar to what the literature on national innovation systems advocates. See R.R. Nelson, *National Innovation Systems: A Comparative Analysis* (OUP, 1993).

¹⁶ See the AI Plan, *supra* note 13, section on Basic Principles at 5.

¹⁷ In the early 2020s, the Chinese government re-asserted its control over private firms, in what was characterised as a “crackdown” on Chinese digital giants: see Bradford, *supra* note 2 at 71. Since then, it seems that the government has reverted to giving private firms more leeway, in view of the need to stimulate growth.

¹⁸ While the AI Plan does not venture much into this area, firms are also expected to help the surveillance and control missions of the State. This is another reason why the action of private firms is conceived within a broader socio-political framework: see Bradford, *supra* note 2 at 77-91.

¹⁹ AI Plan, *supra* note 13 at 8-23.

²⁰ See the Provisions on the Administration of Algorithmic Recommendations in Internet Information Services (31 December 2021), http://www.cac.gov.cn/2022-01/04/c_1642894606364259.htm, the Provisions on the Administration of Deep Synthesis of Internet Information Services (25 November 2022), http://www.cac.gov.cn/2022-12/11/c_1672221949354811.htm and the Interim Measures for the Management of Generative AI Services (10 July 2023), http://www.cac.gov.cn/2023-07/13/c_1690898327029107.htm. These measures all build on pre-existing framework laws on cybersecurity and privacy, and illustrate the more specific approach of China, as opposed to the horizontal approach followed in the EU with the AIA.



In 2025, China updated its AI policy with an “Artificial Intelligence+” (AI+) Initiative.²¹ The AI+ Initiative sets out six key fields: science and technology, industry development, consumption quality improvement, livelihood and well-being, governance and global cooperation.²² As observers have noted, the policy focuses on diffusing and integrating AI throughout the Chinese economy and society, rather than on the development of AI as such.²³ As regards industry development in particular, the AI+ Initiative calls for industry to become “AI-native”: existing industries must be reinvented accordingly, next to new emerging industries. AI must spread throughout industrial production, agriculture and services.²⁴ The AI+ Initiative reiterates a preference for an open-source AI ecosystem.²⁵ As regards global cooperation, AI is presented as an international public good, with sharing and cooperation at international level, under the aegis of the UN.²⁶ The AI+ Initiative then lists a set of supporting actions, including enhancing research into fundamental models, improving the quality of datasets, strengthening risk regulation and boosting the security of the AI stack.²⁷

²¹ Opinion of the State Council on Deepening the Implementation of the “Artificial Intelligence+” Initiative, State Council Document (2025) 11 (21 August 2025), available at https://www.gov.cn/zhengce/content/202508/content_7037861.htm, and in English translation at <https://cset.georgetown.edu/publication/china-ai-plus-opinions-2025/> [hereinafter the “AI+ Initiative”, with reference to the translation].

²² *Ibid.* at 2-7.

²³ *Ibid.* at 2.

²⁴ *Ibid.* at 3-4.

²⁵ *Ibid.* at 7, 8.

²⁶ *Ibid.* at 7.

²⁷ *Ibid.* at 7, 9.



The AI+ Initiative was fully integrated into the recent 2026-2030 Five-Year Plan adopted by the People's Congress.²⁸ The Five-Year Plan underlines that the priority is to integrate AI into the real economy to make it “digital-intelligent”.²⁹ AI is both part of, and an ingredient to, the development of a larger set of high-tech industries and services.³⁰ Other elements of the Five-Year Plan are relevant to AI governance. It includes a prominent but rather instrumental reliance on market forces³¹ whilst avoiding ruinous competition,³² and a willingness to engage in experimental regulation.³³ The Plan echoes leading innovation theories, including national innovation systems³⁴ and open innovation.³⁵ The Plan also contains commitments to build out energy and communications infrastructure,³⁶ to strengthen computing infrastructure,³⁷ to improve data resources,³⁸ to “win the battle” for core technologies³⁹ and to achieve breakthroughs on frontier technology – here including AI.⁴⁰

Analysis

Substantive policy priorities. Policy priorities regarding AI have remained quite constant over time in the PRC. Since 2017, the top priority has been to innovate and gain a leadership position on AI. Once China was well on its way to achieving that objective, the focus was broadened to include the diffusion of AI throughout the economy and society, with the terms “AI-native” and “digital-intelligent” being coined for that purpose. The embrace of an open-source AI ecosystem can also be seen as an indication that diffusion is a priority (as opposed to the buildup of global AI champions).⁴¹ AI is seen as a key ingredient in overall industrial policy, as a promising sector in and of itself, a foundation for development throughout the economy and a justification for commitments to infrastructure and fundamental research. Chinese AI policy seems not overly concerned with the adverse impacts of AI rollout: risk regulation is given a subsidiary position and concerns for the protection of fundamental rights or labour market disruption are largely absent. Instead, AI is presented as an opportunity to improve the life of citizens and the efficiency of government.

²⁸ 15th Five-Year Plan for National Economic and Social Development of the People's Republic of China, National People's Congress (13 March 2026), available at <https://www.news.cn/politics/20260313/085af5de5a4b4268aa7d87d90817df2f/c.html>, and in English translation at <https://mandarinpeel.substack.com/p/chinas-15th-five-year-plan-full-english> or <https://www.wko.at/ktn/aussenwirtschaft/euclera-translation-15th-five-year-plan-2026-2030-.pdf>. The AI+ Initiative is included in Part 4, Chapter 13 of the Five-Year Plan, but also reflected in Part 4, Chapter 12, Section 2 (innovation) and Chapter 14, Sections 2 (regulation) and 3 (international cooperation).

²⁹ *Ibid.*, Part 4, Chapter 13, Section 1. This ideal of “digital intelligence” is extended to the life of citizens and to public governance in subsequent sections. In addition, at Part 15, Chapter 55, Section 1, it is also applied to the military.

³⁰ *Ibid.*, Part 2, Chapters 5 and 6. The list of industries earmarked under the Plan includes connected vehicles, robotics, biopharmaceuticals, quantum technology, fusion energy, brain-computer interfaces and 6G communications. On the service side, financial leasing, logistics, HR, energy and environmental management, elderly and childcare as well as health care.

³¹ *Ibid.*, Part 1, Chapter 2, Section 2, 5th principle., developed in Part 3, Chapter 10; Part 5, Chapter 17, Section 2, Part 6, Chapter 18, Section 2 and Chapter 19, Section 2; Part 12, Chapter 42, Section 1.

³² *Ibid.*, Part 2, Chapter 4, Section 3.

³³ *Ibid.*, Part 2, Chapter 5, Section 3.

³⁴ *Ibid.*, Part 3, Chapter 9. This theory was already discernible in the 2017 AI Development Plan: *supra* note 16.

³⁵ *Ibid.*, Part 3, Chapter 9, Section 3. On open innovation, see H. Chesbrough, *Open Innovation: The New Imperative for Creating and Profiting from Technology* (Harvard University Press, 2003).

³⁶ *Ibid.*, Part 2, Chapter 7, Sections 2 and 4 respectively.

³⁷ *Ibid.*, Part 4, Chapter 12, Section 1.

³⁸ *Ibid.*, Part 4, Chapter 12, Section 3.

³⁹ *Ibid.*, Part 3, Chapter 8, Section 1. They are integrated circuits, industrial machine tools, high-end instruments, basic software, advanced materials and biomanufacturing.

⁴⁰ *Ibid.*, Part 3, Chapter 8, Section 2. Other frontier technologies – in line with the list of priority industries to develop, *supra* note 31 – include quantum, controlled nuclear fusion, life sciences, brain science, biotech, and remote-region exploration.

⁴¹ Although causation could also run in the opposite direction: an open-source ecosystem is favoured because of the absence of global AI champions.



Levers of governance. In *Digital Empires*, Anu Bradford characterised the broader regulatory model followed by China with respect to the entire digital sector as “state-driven”.⁴² She described it as follows:⁴³

[T]he Chinese government seeks to leverage technology to fuel the country’s economic growth and development while maintaining social harmony and control over its citizens’ communications... These two factors – economic development and social stability – are central to the survival of the Chinese leadership.

Chinese AI policy seems to fit the description given by Bradford for the overall digital sector.⁴⁴ It combines strong State control and dispersed private power. Private power is dispersed not in the sense that no large firm exists, but rather as a consequence of how the State asserts its authority over private firms. As regards AI in particular, given its strategic significance in the eyes of policy makers, the degree of State surveillance and control over private firms is high. The specific AI sections of the newest Five-Year Plan may seem to assume a market environment, but overall, the Plan shows that markets and private firms are instrumentalised. They are welcome when and where market mechanisms lead to superior performance, but the overall architecture remains that of a planned economy.

On the figure sketched out above, Chinese AI policy would therefore fit in the upper-left quadrant (strong State control, dispersed private power).

Geopolitical dimension. Chinese AI policy is expressly conceived in relation to other jurisdictions. It contains calls for international cooperation. It also expressly favours an open-source AI ecosystem, not just for industrial policy purposes, but also to foster sharing at international level. Yet China is also aware of its leadership position at the global level: while it seeks to build a global governance system under the auspices of the UN, its policy does not expressly call for harmonised policies worldwide.

2.2 AI Governance in the USA

Description

In contrast with the relative stability of Chinese policy, US AI policy has seen remarkable variations in the past few years. Even if no major legislation relating to AI was enacted at federal level, successive administrations issued a series of Executive Orders that each gave a different direction to AI policy in the USA. For the purposes of this paper, a distinction is made between the policy of the Biden administration (which is surveyed quickly since it is mostly of historical value now), the first six months of the Trump administration and the policy set out in the July 2025 AI Action Plan of the Trump administration. In addition, State efforts must also be taken into account.

⁴² Bradford, *supra* note 2 at 69-104.

⁴³ *Ibid.* at 69, footnotes omitted.

⁴⁴ This is also consistent with the overall economic policy approach, often branded “State capitalism” but in fact more nuanced than this crisp description would lead one to believe: Margaret M. Pearson, Meg Rithmire and Kellee S. Tsai, *The State and Capitalism in China* (Cambridge University Press, 2023).



Biden administration

On 30 October 2023, Executive Order 14110 was issued by President Biden.⁴⁵ It relied on a set of principles including AI safety and security; responsible innovation; a commitment to workers' rights and civil rights, consumer protection and privacy; the use of AI in the federal government; and global leadership. At a general level, Executive Order 14110 departed from a traditional market-driven policy. The federal government sought to exert stronger control, on the assumption that private economic power was relatively concentrated. In parallel, the US federal agencies and the States were pursuing multiple antitrust cases against the leading digital platforms; even if these cases pertained to courses of conduct with respect to established platform services, it was clear that their outcome could have a bearing on the development of AI.⁴⁶ The Biden administration also coordinated with other jurisdictions, in particular the EU, ensuring a certain convergence as to policy objectives, with the emphasis being put on safety.

First six months of the Trump administration

Executive Order 14110 was revoked by President Trump,⁴⁷ with no equivalent replacement.⁴⁸ At the same time, antitrust litigation against the largest technology firms pursued its course unabated, with the US obtaining judgements against Google in the course of 2025.⁴⁹ In the first half of 2025, it seemed as if US policy was de-emphasising State control via regulation and betting instead on a more competitive market structure – more dispersed private power – to reduce the type of risks that were originally addressed via regulation. Matters of AI safety – especially as regards the protection of individuals – would then be left to private players to deal with, in the expectation that satisfactory solutions would emerge from a competitive market. Whilst this may appear a risky regulatory approach, relying as it does on forces that the State does not control, it is defensible as a rebalancing of priorities away from safety and towards innovation. Finally, this shift in US policy was also carried out in full knowledge that this marked a break with the international coordination that had taken place until then.

⁴⁵ Executive Order 14110 on Safe, Secure and Trustworthy Development and Use of Artificial Intelligence 88 Fed. Reg. 75191 (2023).

⁴⁶ As was expressly acknowledged in the decision concerning remedies in *US v. Google* (2025).

⁴⁷ Executive Order 14148 on Initial Rescissions of Harmful Executive Orders and Actions 90 Fed Reg 8237 (2025).

⁴⁸ What is more, the US federal government has sought to prevent US states from legislating in relation to AI safety. When Congress refused to include a pre-emption clause in legislation, the Administration issued an Executive Order instituting a policy of systematically challenging State laws regarding AI: Executive Order 14365 Ensuring a National Policy Framework for Artificial Intelligence, 90 Fed Reg 58449 (2025).

⁴⁹ *US v. Google*, No. 1:20-cv-03010 (DC, 5 December 2025), closing the Google Search case and *US v. Google* No. 23-cv-00108 (East Virginia, 17 April 2025), finding against Google in the AdTech case, remedies to follow. However, the US lost its case against Meta: *FTC v. Meta Platforms*, No. 20-cv-03590 (DC, 18 November 2025).



Current federal policy

US AI policy shifted again in the summer of 2025, with the publication of an Action Plan⁵⁰ accompanied by a set of Executive Orders.⁵¹ Whilst the Action Plan could be read as a further development of the initial policy line of the Trump Administration, that would fail to do full justice to its scope. It marks yet another rebalancing of US AI policy, with national security (including the military use of AI) now coming to the forefront. Right at the outset, the Action Plan frames AI as a strategic priority for the entire USA, as a “race” in which the USA as such is competing at international level, with a firm intent to win.⁵² It also casts a wider net than just AI as a technology, taking a “technology stack” approach where AI is one element in a broader ensemble comprising infrastructure (energy supply, data centres, communications), hardware (especially semiconductors), software and standards. The three pillars of the plan are to accelerate AI innovation, to build US AI infrastructure and to drive the adoption of the US AI stack worldwide.

Initiatives at state level and federal reaction

Whereas federal AI policy could not so far result in legislation and thus remained at executive level, shifting with the change in administration, some US states have already enacted AI-related legislation. For the purposes of this paper, the most relevant initiatives come from Colorado, California, New York and Texas.

Colorado was the first to enact comprehensive legislation on AI, with the Colorado AI Act.⁵³ The Act is meant to apply to “high-risk AI systems”, defined as AI systems used in making decisions in a list of consequential areas, such as education, employment, finance, government services, health care, housing, insurance or legal services.⁵⁴ AI system developers are compelled to take measures to avoid “algorithmic discrimination”, including documentation, risk management (according to applicable standards, including impact assessment and monitoring) and disclosure to consumers.⁵⁵ In the face of pushback from the federal government (more below) and the industry, the Act’s entry into effect was delayed. On 14 May 2026, the Colorado AI Act was substantially modified by a new Act.⁵⁶ Its scope was changed, from AI to “automated decision-making technology”,⁵⁷ and the risk management and impact assessment obligations were removed.⁵⁸

⁵⁰ White House, *Winning the Race – America’s AI Action Plan* (July 2025), available at www.whitehouse.gov.

⁵¹ See in particular Executive Order 14318 Accelerating Federal Permitting of Data Centre Infrastructure, 90 Fed Reg 35385 (2025) and Executive Order 14320 Promoting the Export of the American AI Technology Stack, 90 Fed Reg 35393 (2025).

⁵² Action Plan at 1. Note that the federal government policy regarding the sale of advanced chips to China (currently allowed, in return for sharing profits with the US government) is not consistent with the Action Plan.

⁵³ Colorado, Act concerning consumer protections in interactions with artificial intelligence systems, Senate Bill SB24-205 (2024).

⁵⁴ *Ibid.*, s. 1, adding § 6-1-1701(2), (3) and (9) to the Colorado Revised Statutes.

⁵⁵ *Ibid.*, s. 1, adding §§ 6-1-1702, 6-1-1703 and 6-1-1704 to the Colorado Revised Statutes.

⁵⁶ Colorado, Act concerning the use of automated decision-making technology in consequential decisions, Senate Bill SB26-189 (2026).

⁵⁷ *Ibid.*, s. 1, adding § 6-1-1701(2) to the Colorado Revised Statutes. This actually covers a broader range of technologies than the previous version, since the definition of automated decision-making technology does not include the making of inferences.

⁵⁸ They have been replaced by provisions enabling consumers to request a human review of automated decisions, and by statements making it clear that the Colorado consumer protection and anti-discrimination statutes apply to automated decision-making: *ibid.* s.1, adding §§ 6-1-1706 and 6-1-1707 to the Colorado Revised Statutes.



California has adopted a number of statutes on AI, but the most notable are SB 53 and SB 1047. SB 53, the Transparency in Frontier Artificial Intelligence Act (TFAIA), was enacted in 2025.⁵⁹ The TFAIA applies to “large frontier models”, defined as foundation AI models that were trained with computing power above a certain threshold.⁶⁰ “Large frontier developers”⁶¹ must publish information on their policies regarding standardisation, risk assessment, risk mitigation, deployment decision, cybersecurity, critical safety incidents⁶² and catastrophic risk⁶³ management, with regular updates.⁶⁴ California is setting up a framework to deal with catastrophic risk and critical safety incidents within its Office of Emergency Services.⁶⁵ Whilst California has imposed obligations on the largest AI firms, nevertheless the state is careful not to impair the innovativeness of the AI industry based there: a much further-ranging bill, SB 1047, was ultimately vetoed by the Governor on these grounds.⁶⁶

More recently, New York enacted the Responsible AI Safety and Education Act (RAISE Act).⁶⁷ The original RAISE Act⁶⁸ was similar to the vetoed California SB 1047, but the new version is more closely aligned with the TFAIA. Indeed, it appears that New York State aimed to reduce inter-State friction by bringing its legislation in line with California.

Finally, Texas enacted the Responsible AI Governance Act (RAIGA) in 2025.⁶⁹ RAIGA applies to AI systems, but it is focused on harm prevention rather than risk management. AI system developers and deployers must prevent their systems from inciting or encouraging persons to self-harm, harm others or engage in criminal activity.⁷⁰ Persons cannot use AI for unlawful discrimination.⁷¹ Public authorities cannot use AI to engage in social scoring or identification using biometric data.⁷²

State level initiatives are broadly aligned with the thrust of the Biden-era federal AI policy, but they clash with the policy of the Trump administration. Accordingly, that administration has sought to pre-empt current and future State legislation regarding AI. In the summer of 2025, the US Congress refused to pass a moratorium clause on State level AI regulation in federal legislation.⁷³ Subsequently, the Administration issued an Executive Order instituting a policy of systematically challenging State laws regarding AI.⁷⁴ No further action has been taken so far, but the Administration is preparing for renewed legislative push on AI, including pre-emption of State laws.⁷⁵

⁵⁹ California, Transparency in Frontier Artificial Intelligence Act (TFAIA), Senate Bill SB53 (2025).

⁶⁰ Ibid., combination of §22757.11 (b), (f) and (i). A foundation model is an AI model that is trained on a broad dataset, is designed for generality of output and adaptable to a wide range of tasks. A frontier model is a foundation model trained with upwards of 10²⁶ FLOPs. These two definitions parallel the EU AI Act definitions of “GPAI models” and “GPAI models with systemic risk”, respectively.

⁶¹ Ibid., §22757.11(j). A large frontier developer has revenues in excess of \$500M per year.

⁶² Defined *ibid.*, §22757.11(d)

⁶³ Defined *ibid.*, §22757.11(c).

⁶⁴ Ibid., §22757.12. The information can be disclosed by way of model card, and it must be in line with industry best practices.

⁶⁵ Ibid., §22757.13.

⁶⁶ California, Safe and Secure Innovation for Frontier Artificial Intelligence Models Act, Senate Bill SB 1047 (2024). Among others, SB 1047 required frontier model developers to implement cybersecurity protections (including a “kill switch”), put in place security and testing protocols and carry out impact assessments audited by a third party.

⁶⁷ New York, Responsible AI Safety and Education Act (RAISE Act), Senate Bill S8828 (2026).

⁶⁸ New York, Responsible AI Safety and Education Act (RAISE Act), Assembly Bill A6453A (2025).

⁶⁹ Texas, Responsible AI Governance Act (RAIGA), House Bill HB149 (2025).

⁷⁰ Ibid., section 4, adding § 552.052 to the Texas Business & Commerce Code.

⁷¹ Ibid., section 4, adding § 552.056 to the Texas Business & Commerce Code. § 552.057 adds prohibitions on using AI for deepfake pornography or child pornography.

⁷² Ibid., section 4, adding §§ 552.053 and 552.054 to the Texas Business & Commerce Code.

⁷³ This was part of the legislative process leading to the One Big Beautiful Bill Act, Pub.L. No. 119-21 (2025). The moratorium was included in the House version of the bill, but the Senate voted to remove it by 99-1.

⁷⁴ Executive Order 14365 Ensuring a National Policy Framework for Artificial Intelligence, 90 Fed Reg 58449 (2025).

⁷⁵ White House, National Policy Framework – Artificial Intelligence (March 2026).



Analysis

Substantive policy priorities. At federal level, the AI Action Plan takes a very positive and optimistic view of the potential of AI to transform US society and economy for the better. Yet, contrary to Chinese policy, US policy does not emphasise concrete measures to introduce AI throughout the economy; rather, federal US policy seems more centred on AI as such and relies on the AI industry to drive change. This is in line with the AI-centred view from the leading AI firms, e.g., the pursuit of artificial general intelligence. The safety concerns that were central to the previous approaches have been downgraded (to say the least). Indeed, an overbearing concern for AI safety and security might translate into hindrances in the race for AI supremacy. Fundamental rights concerns shifted away from privacy and non-discrimination towards freedom of expression.⁷⁶ As mentioned above, State level intervention follows a different set of priorities, where prevention of harm, protection of fundamental rights (privacy, non-discrimination) and concerns for the impact of AI play a larger role.

Levers of governance. In her book, Bradford labelled US digital policy as “market-driven”.⁷⁷ As mentioned above, at least until the summer of 2025, one could argue that US policy was exploiting the horizontal axis – via the application of antitrust law – and betting on competition to create some pressure on firms and thereby assist, if not alleviate, efforts to assert State power (along the vertical axis). With the AI Action Plan, the US federal government seems to have significantly changed how it uses its levers of governance. As has been pointed out in the literature already,⁷⁸ it would be mistaken to focus strictly on the abandonment of safety regulation and conclude that the Action Plan is a “conventional” free-market, deregulatory position paper of the kind that the US might have issued 20 or 30 years ago. For one, safety regulation is still alive and well at state level. More fundamentally, however, it is striking how much the US federal government intends to intervene across the entire AI stack.

⁷⁶ Freedom of expression being recast as freedom from any attempt by private firms to police what is expressed on their platforms or through their services, as opposed to freedom from censorship by the government.

⁷⁷ Bradford, *supra* note 2 at 33-68.

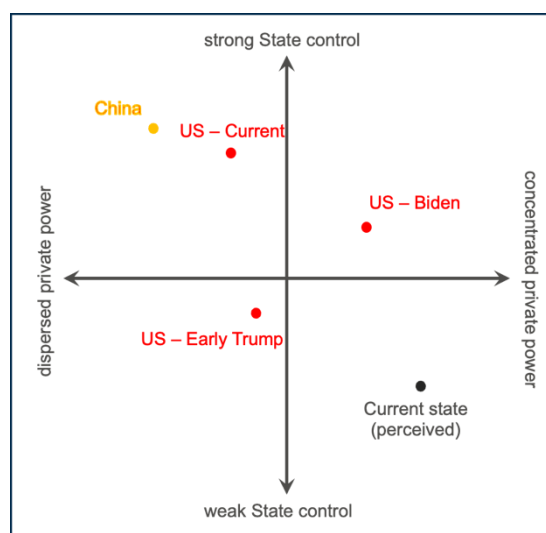
⁷⁸ M. Lévesque, “Hallucinating Deregulation”, available on SSRN.



By implication, the entire AI stack is seen as an American asset for which the federal government is in charge, rather than a source of strength where US private firms have a leading role. The Action Plan is surprisingly silent on the role of private firms, considering how large leading AI firms have become and how they are essentially based in the USA. They figure as “industry”, a term which covers all firms across the technology stack. One could argue that this reflects capture of the US federal policy by these firms, although if that were the case one would have expected them to figure more prominently in the Action Plan, even if only generically (as “leaders”, “pioneers”, and so on). A converse reading would rather see the Action Plan as an indication that the US federal government intends to interfere more in the management and activities of private firms, in the name of national security and of ensuring sustained US advantage over its geopolitical rivals. Many actions of the Trump administration in individual cases support that reading.⁷⁹ In any event, irrespective of who holds the ultimate power – large firms or the State – the AI Action Plan would imply not only that the USA takes an even more adversarial view of AI policy, as a race with China for technological supremacy and geopolitical primacy, but also that in doing so, the USA is also changing its policy to come closer to the Chinese approach, where the State and private firms work hand-in-hand.

What remains constant throughout these three policy approaches is that the federal government intends to move away from the current situation, which is perceived to lie uncomfortably in the lower-right corner of the figure above. At a very general level, these three successive approaches differ in how the federal government intends to use its levers and where it aims to land.

On the right, Chinese and US policies are mapped on the earlier figure.



Geopolitical dimension. The federal government, under the Trump administration, has taken a much more assertive and one-sided geopolitical stance than previously. The international pillar of US AI policy is now summarised as follows: “The United States must also drive adoption of American AI systems, computing hardware, and standards throughout the world. America currently is the global leader on data centre construction, computing hardware performance, and models. It is imperative that the United States leverage this advantage into an enduring global alliance, while preventing our adversaries from free riding on our innovation and investment.”⁸⁰ Even prior to the Trump administration, as Bradford noted, the global influence of the US model was waning.⁸¹

⁷⁹ Including the recent controversy involving the Department of Defence (now the Department of War) and Anthropic: see E. Schwarz and N. Renic, “Anthropic v the US military: what this public feud says about the use of AI in warfare”, *The Conversation* (26 February 2026).

⁸⁰ AI Action Plan, *supra*, note 53 at 20.

⁸¹ *Supra* note 2 at 257-289.



More so than is the case for China, the geopolitical vision of the US federal government is confrontational, with the rivalry with China taking centre stage. Any international cooperation on AI governance, even with like-minded countries, must take place along US policy priorities, which themselves are driven by this rivalry.⁸²

2.3 AI Governance in ‘Middle Powers’

As was seen in the previous two headings, China and the USA increasingly conceive themselves as engaged in a two-player race for AI dominance. This appears most clearly from the recent AI Strategy issued by the White House, but it can also be implied from the Chinese AI+ Initiative and the new Five-Year Plan.⁸³ On one reading of the US AI Strategy, US policy aims to move to the upper-left corner (strong State control, dispersed private power), close to Chinese policy. Under these circumstances, the “Digital Empire” moniker coined by Bradford would definitely apply to these two powers. Next to the USA and China, a number of smaller countries – hereafter the ‘middle powers’ – are relevant actors in discussions of AI governance. They include, amongst others, the UK, Canada, Japan and Singapore. These countries host firms active in the AI space, yet these firms are not global AI leaders on the same footing as US or even Chinese firms. In other words, they face a world where AI development is primarily led by firms that escape their jurisdiction. For the purposes of this paper, their AI policies will not be described in detail, and we will focus on their commonalities at the analytical stage.

Substantive policy priorities. Whilst the respective AI policies of the middle powers differ in some respects, they converge on some important points. Typically, they have not enacted any new AI-specific legislation, relying instead on soft-law instruments (guidelines, policy statements, and so on) and the application of existing laws to deal with risks arising from AI. Their policies thread a fine line between fostering innovation (and hoping to ride on the coattails of developments abroad) and ensuring the safety of AI. As regards innovation, they may face a trade-off between innovation in AI as such (which may or may not arise in their domestic AI industry) and innovation through the diffusion of AI in their economy and society. Similarly, when it comes to risk regulation, fundamental rights and the socio-economic impact of AI, the potential downsides are felt in their jurisdictions whereas the countervailing benefits might well accrue to foreign firms.

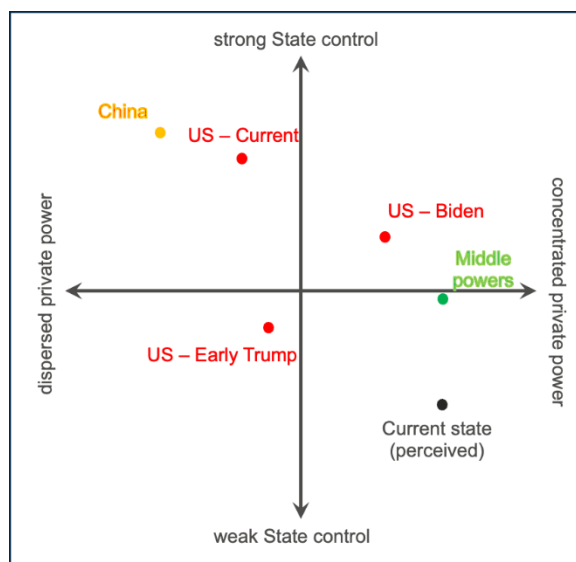
⁸² AI Action Plan, *supra*, note 53 at 20.

⁸³ In that sense, China perhaps found itself thrust into this race through the evolution of US policy, as a foil, when US policymakers took the long-term objectives of Chinese planning both literally and seriously.



Levers of governance. Middle powers use the levers of governance differently. As a starting point, they tend to consider that they face concentrated private power in the hands of foreign firms. On the vertical axis (State control), these countries observe the trends whereby the USA and China are turning into “Digital Empires” and moving in the direction of the upper-left quadrant, a target that they know is unrealistic and unattainable for middle powers. They do not consider that they are in a position to exert stronger State control over firms outside their jurisdiction. If they instead focus their efforts on the smaller firms within their jurisdiction, there is a strong risk of backfiring: putting more regulatory pressure on these domestic firms puts them at an even greater disadvantage vis-à-vis larger foreign firms. Even if increased State control takes the form of support rather than regulation, middle powers can only afford so much stimulus.⁸⁴ On the horizontal axis, similarly, middle powers have few avenues at their disposal to change the overall level or the distribution of private power. This helps to explain why they emphasise communication and dialogue between private firms and the State, through mechanisms such as concertation, regulatory fora, sandboxes, and so on

Referring back to the figure, the middle powers could be placed directly above the perceived current state, close to the horizontal axis, to indicate that their policies aim to assert more State control over a concentration of private power that they cannot meaningfully reduce. Accordingly, the amount of control they can hope to achieve is also limited (as reflected in the reluctance to embark on assertive legislative schemes).



Geopolitical dimension. Middle powers would rather not become mere satellites of one or the other of the empires, hence their common insistence on some global harmonisation in AI governance. A harmonised approach is preferable

both to ensure that their citizens and businesses are not exposed to harm from foreign AI providers and to give some measure of opportunity to their respective domestic AI industry.⁸⁵

2.4 International efforts

Next to the main jurisdictions and their AI policies, the geopolitics of global AI governance are also influenced by the efforts of other actors. At international level, a number of processes were launched in the past years to try to achieve some international agreement on AI governance. At the risk of oversimplification, they can be consolidated under two main paths.⁸⁶

⁸⁴ In addition, there is a risk of waste. Since stimulus is given to smaller firms (on the global AI scene) that might not yet have revealed their full potential, erroneous decisions are quite likely.

⁸⁵ In the knowledge that such industry is unlikely to be competitive – or even present – across the entire technology stack. See for instance the UK AI Opportunities Action Plan: <https://www.gov.uk/government/publications/ai-opportunities-action-plan/ai-opportunities-action-plan>.

⁸⁶ See C. Kerry et al., “Network architecture for global AI policy”, Brookings Institute (10 Fe).



A first path runs through traditional international fora such as the UN, where the interaction takes place between States. Discussions in these fora tend to prioritise AI safety and access to the technology over other major policy objectives. The main shortcoming of these traditional international fora is that, in the case of AI, they have limited influence over the course of events, given that this technology is largely developed in private hands.⁸⁷ Private actors are not necessarily involved in these fora. Moreover, private actors are not geographically spread worldwide; rather, they are regrouped in a few countries. Accordingly, efforts made in these fora tend to take concentrated private power as a given and simply advocate the (re-)assertion of stronger State control over private firms. In Figure 1, this would be represented by an arrow running parallel to that of the middle powers but reaching higher into the upper-right quadrant. However, since no legal or regulatory instrument has been produced yet through these fora, and any such instrument would have to be ratified and implemented by the signatory States, we will leave these fora out of the figure.

A second path involves what one could term “transnational” fora, where both States and firms are present and interact. In comparison with the first path, participants thus include private actors, but public actors are usually limited to a smaller set of States, usually from the Global North. Two fora are running in parallel, one under the aegis of the OECD (which absorbed the Global Partnership on AI) and the other as an extension of the G7 (the “Hiroshima process”). In addition, there is a series of global summits that followed in the path of the UK AI Safety Summit in 2023.⁸⁸ The respective lists of participants in these fora are overlapping. In terms of positioning in the two-dimensional space of Figure 1, these fora also typically take the current distribution of private power for granted and focus more on finding ways to coordinate the actions of public and private actors. Accordingly, they would run parallel to the policy lines of the middle powers on Figure 1.

⁸⁷ As was pointed out by M. Mazzucato, *The Entrepreneurial State* (Anthem: 2014), among others, most of the earlier digital technological waves, roughly up until the smartphone, rested at least in part on research carried out by or under the auspices of the State. The situation is different with AI – with the possible exception of China – as noted for instance in I. Bremmer and M. Suleyman, “The AI Power Paradox: Can States Learn to Govern Artificial Intelligence – before It’s Too Late?” (2023) 102:5 *Foreign Aff* 26.

⁸⁸ After the AI Safety Summit held in Bletchley Park (UK) in 2023, follow-ups were held in Korea (AI Seoul Summit 2024), France (AI Action Summit 2025 in Paris) and India (AI Impact Summit 2026 in New Delhi). The 2027 Summit will be held in Geneva. The names and agendas of the respective summits offer yearly snapshots of what policymakers emphasise at that point in time: from “safety” in 2023 (and 2024) to “action” in 2025 and now “impact” in 2026.



3. Industry trends

It is apparent from the analysis of the previous section that most of the policy discussions involve the vertical axis of the two-dimensional space of the main figure, namely they centre around improving the ability and willingness of States to exert control over AI. On the horizontal axis, the presence of concentrated private power is assumed to exist and to remain over time. Even if such concentrated power is seen as an issue, States such as the middle powers might not have much leverage over it. Amongst the jurisdictions and fora covered so far, the US evidences a concern with the horizontal axis, i.e., the strength and distribution of private power. Even then, this used to be mostly a consequence of the continuing application of antitrust law in parallel with AI-specific policymaking (in the Biden and early Trump phases). The current US federal policy, as expressed in the 2025 AI Action Plan, does not explicitly deal with the matter of private power, yet in the reading proposed above it envisages a subordination of private interests to State objectives, along the lines of Chinese policy.⁸⁹

By way of reality check, it is useful to try to survey industry trends to ascertain whether, irrespective of policy makers' assumptions, private power is truly concentrated and destined to remain so over time.

Seen from a static perspective, the AI industry can appear concentrated. The most eye-catching segment, frontier models, seems occupied by a handful of large and very visible US-based firms (OpenAI, Anthropic, Google, Meta, X), with a few smaller non-US firms (Mistral, as well as DeepSeek and other Chinese firms). The scale required to train and operate those models, combined with the massive investments undertaken by these firms to grow their operations and continue to carry out ambitious research programmes, seem daunting.

Once the broader technology stack comes into the picture, other areas of concentration appear, albeit in the hands of different firms. At the most basic level, both energy supply and communications tend to be oligopolistic markets at best. Those infrastructure elements that are more specific to AI are also typically held by few firms: processors are in short supply because at this point Nvidia is considered to be the sole adequate supplier; other hardware elements (memory, and so on) are also usually in the hands of a few producers. As for data centres (cloud), AWS, Microsoft and Google are far ahead of other suppliers. The only element that would seem to be provided in a more diffuse environment is data; there, however, data protection and intellectual property laws complicate the situation, so that localised power is present.

⁸⁹ Note that antitrust law continues to be applied to large digital sector firms. Federal enforcement appears more politicised, but state Attorneys General have not changed their outlook.



Taking a stack perspective does relativise the significance of private power concentration at frontier model level, however. Even the largest frontier model firms are dependent on other firms, at other levels in the technology stack, for their models to be trained and to infer adequately. In some cases (Google), there is an element of vertical integration. In other cases (OpenAI, Anthropic), strategic agreements are struck, often with cross-investments, in order to secure access to other elements of the stack.⁹⁰ By revealing a more variegated and polycentric distribution of private power, the stack perspective also highlights the case for stronger State control from a national strategic perspective. The State can help to coordinate the actions of all the firms involved, so that key elements of the stack are not controlled by firms outside of the purview of the State. This is clearly part of the Chinese policy, as set out above, and it is also a fair reading of the current US policy.

A static perspective is not sufficient, however, especially in the case of a fast-moving technology such as AI. Already, when compared to the pre-ChatGPT era, there has been a shake-up within the higher echelons of the digital sector. Large digital platforms – often put under the GAFAM moniker – are still very much in the centre of the digital economy, but start-ups such as OpenAI and Anthropic rose to join that select circle on the strength of the current AI renaissance. Riding the same wave, Nvidia also went from major chip manufacturer to most-valuable firm worldwide. Interestingly, the large digital platforms also had to contend with AI: Google became more dynamic again by accelerating the development of its AI technology.⁹¹ Meta also followed that path. As for Microsoft, Apple and Amazon, they partnered with leading AI firms to keep up with developments.

As pointed out by a leading economist in a recent piece,⁹² the advent of AI has shattered any complacency that might have settled amongst large digital firms. Even if AI development and diffusion are led by precious few firms, these firms are competing fiercely amongst themselves. Furthermore, given how massive the market for AI-driven products is expected to be, entry is incentivised. Significant talent and resources are committed to countering private power concentration. If barriers to entry are high, there will be pressure to lower them or work around them. If leading products are seen as too expensive to procure or too energy-consuming to run, cheaper and more resource-efficient products will eventually emerge.⁹³ The incentives to enter the market with a strategy of addressing the shortcomings of existing products are just too large to ignore. On top of that, the digital economy has a track record of disruptive innovation, which AI is reviving after a lull in the 2010s. Of course, all these possibilities are subject to a favourable legal framework, as will be discussed below. In spite of all this, there is no guarantee that the market will evolve towards more dispersion of private power, despite the incentives. For instance, the technological evolution could be such that scale stays determinative, and then only a few firms will ever remain at the vanguard.

⁹⁰ The presence of cross-investments as between frontier model firms and their suppliers is prompting some analysts to warn against the onset of a speculative bubble around AI.

⁹¹ Arguably, the current wave of frontier models descends from research carried out at Google.

⁹² Jason Furman, "I Thought I Understood AI Companies. I Couldn't Have Been More Wrong." *New York Times* (25 February 2026). See also Zach Meyers and Marc Bourreau, "A Competition Policy for Cloud and AI", CERRE Issue Paper (2025): <https://cerre.eu/publications/a-competition-policy-for-cloud-and-ai/>.

⁹³ The emergence of DeepSeek is often presented from this angle, as the opening of a path towards smaller, more resource-efficient models.



Finally, taking an even broader view than the AI technology stack, we stand on the cusp of the period where AI is diffusing into the broader economy and society, to be integrated throughout the various operations and offerings across the board. As a first scenario, some could see this as an opportunity for AI firms to expand into countless activities, or perhaps more realistically to become so important as a supplier to non-AI-centric firms that they can appropriate more of the surplus generated by these firms. An alternate scenario would be that non-AI-centric firms generate increasing demand for more commoditised AI, as an input for their operations and offerings, thereby tipping the balance of power away from AI firms; in this case, non-AI-centric firms can preserve their surplus. For that alternate scenario to occur, however, a few pre-conditions must be met. It is essential that commoditised AI be of sufficient quality to meet the requirements of these firms (hence the significance of standardisation). Further, non-AI-centric firms must have sufficient insight into such commodity AI to assess its usefulness and integrate it effectively in their products and services.

Arguably, commoditised AI already exists: a repository such as Hugging Face offers thousands of models to the AI community, many of which are open-weight (and many also open-source). A service such as Amazon Bedrock bundles a wide choice of AI models with related AWS services. Opinions are divided as to whether these models sufficiently approximate the level of performance of the leading frontier models, but they seem to come close enough in specific use cases. Since some frontier models are open-source and/or open-weight, cutting-edge advances can be accessible to other model developers and thereby enable the larger class of models described here to remain close to the technological frontier. Here as well, increasing commoditisation of AI is but one possible scenario; some firms are betting that this scenario will not happen.

In the end, it is hard to forecast in which direction AI will evolve as a technology, and how this will translate into the allocation and level of private power amongst AI firms. A widespread perception today – in the general public but also amongst policy makers – is that frontier models are firmly in the hands of an oligopoly, which could endure. Yet that oligopoly covers only part of the overall technology stack, which is far more fragmented. Furthermore, there are strong countervailing pressures both amongst existing firms and from outside, which could usher in greater dispersion of private power.



4. Geopolitical Options for the EU

EU AI policy was deliberately left out of the discussion, so far, in order to examine it with as much background information as possible. After a review of EU policy so far (4.1.), the available geopolitical options at this stage are assessed (4.2.), and consequences are drawn for the use of governance levers (4.3.).

4.1 Current state of EU AI policy

Leaving aside communications and other similar documents that were issued earlier, the first major statement of EU AI policy came through the legislative process that culminated with the adoption of the AI Act (AIA) in 2024.⁹⁴ We will not revisit the substance of the AIA here, except insofar as necessary to map it onto the analytical framework of Section 1, including Figure 1.

Substantive policy priorities

As a starting point, the legal bases of the AIA already indicate the policy priorities underpinning it: implementation of the internal market as regards AI via legislative harmonisation, yet based on a high level of protection of the relevant interests⁹⁵ (Article 114 TFEU), especially personal data (Article 16 TFEU), and of fundamental rights.⁹⁶ As Article 1 AIA specifies, the AIA aims to balance the promotion of innovation in and via AI with the protection against risks arising from AI. Other policy priorities listed in part 1, such as industrial policy, socio-economic impact or national security, play a secondary role under the AIA, in part because they pertain more to the Member States.

The AIA conforms with what Bradford calls the “rights-driven” regulatory model associated with the EU.⁹⁷ At the same time, the AIA was also compatible with the prevalent policy approach in the US at the time it was enacted, under the Biden administration.

The AIA contains pro-innovation features, including its basic structure, which seeks to limit regulation to what is necessary according to the risk level posed in a given use scenario, with limitatively-defined categories of prohibited and high-risk cases.⁹⁸ Nevertheless, rightly or wrongly, it is hard to escape the perception that the AIA is mostly about preventing harm and protecting fundamental rights, if only because most of its provisions pertain to that objective.⁹⁹

⁹⁴ *Supra* note 12.

⁹⁵ Being health, safety, the environment and consumers: Art. 114(3) TFEU.

⁹⁶ By virtue of the EU Charter of Fundamental Rights.

⁹⁷ Bradford, *supra* note 2 at 105-145.

⁹⁸ The provisions on sandboxes and real-life testing at Art. 57-63 would also qualify as a pro-innovation feature.

⁹⁹ Notably, even if the promotion of innovation is a core objective, the AIA actually pursues that objective rather imperceptibly by trying to avoid over-regulation, instead of containing visible measures regarding e.g., intellectual property.



Indeed, from its very beginning as a proposal in 2021, the AIA faced significant criticism for being overly cautious and overbearing on AI Systems. These criticisms only grew with the legislative process, during which the co-legislators – especially the European Parliament – grafted numerous details on the original text and added an entire new regime to deal with GPAI models. These criticisms found a powerful outlet in the Draghi report, issued shortly after the adoption of the AIA and before its implementation had even begun. The Draghi report called for rolling back the AIA, in the name of fostering innovation and supporting EU industry.¹⁰⁰

In the wake of that report and of other events, the European Commission presented a “Digital Omnibus on AI”, i.e., a set of amendments to the AIA designed to reduce regulatory burdens.¹⁰¹ Amongst others, the timeline for the application of the rules concerning high-risk AI Systems will be pushed back until standards are ready, SME exemptions would be extended to a larger set of firms and EU-level institutions would receive additional powers to streamline enforcement and testing. While the amendments to the AIA might be less wide-ranging than some would have expected or advocated, the political message is unmistakable: the EU is giving more weight to the promotion of innovation when balanced against the prevention of harm and the protection of fundamental rights.

Furthermore, the AIA has been subsumed under the larger umbrella of the AI Continent Action Plan,¹⁰² which contains a host of support and stimulus measures to improve the position of the EU across the entire AI stack. More recently, national security and sovereignty considerations have taken greater importance in EU policymaking. As a result, the European Commission is expected to propose a Cloud and AI Development Act in the very short term.

Levers of governance

As was pointed out in an earlier CERRE issue paper,¹⁰³ when the AIA was proposed, it was forecast that an AI System would be developed entirely, or at least mostly, by the AI System provider itself. That provider would then bear the regulatory burden of the AIA, since it controls the overall AI System development and deployment process. Hence the AIA was modelled on the New Legislative Framework, for application to a diverse and potentially large set of firms.

With the release of ChatGPT in November 2022, a new technological approach arose, whereby models would be separated from systems, and General-Purpose AI Models (GPAI Models) could be used across a vast range of AI Systems. A chapter on GPAI Models was added to the AIA in the course of the legislative process. The treatment of GPAI Models is based on the assumption that few firms will be active on that market (with even fewer firms developing GPAI Models with systemic risk), in line with the perception outlined above in section 3.¹⁰⁴

¹⁰⁰ M. Draghi, *The Future of European Competitiveness — A Competitiveness Strategy for Europe*, Report commissioned by the President of the European Commission (9 September 2024).

¹⁰¹ Proposal for a Regulation amending Regulations 2024/1689 and 2018/1139 as regards the simplification of the implementation of harmonised rules on artificial intelligence (Digital Omnibus on AI) COM(2025)826 (19 November 2025). In early May 2026, the Council and the European Parliament reached agreement on this proposal, which should be formally enacted soon.

¹⁰² European Commission, *AI Continent Action Plan*, COM(2025) 165 (9 April 2025).

¹⁰³ P. Larouche, Z. Meyers and D. Schnurr, *Technological Neutrality and the AI Act* (2025).

¹⁰⁴ For instance, Rec. 97 and 105 of the AIA stated that GPAI models require scale and resources, such as are available to a few firms only. Similarly, the monitoring of GPAI model is entrusted to the EU-level AI Office, which is also typical for instances where regulation applies to a small class of large, global firms (Art. 88, Rec. 162).



Following the adoption of the AIA, the first major implementation task was the preparation of the Code of Conduct for GPAI Models. Next to the immense consultation exercise, the Code of Conduct was also hammered out in a specific forum for discussion between the AI Office and the small set of mostly US-based AI firms working on foundation models. This cemented the view that the AIA is meant to apply in a context of concentrated and durable private power. The same view prevails also in more recent developments, for instance the upcoming Cloud and AI Development Act, where the assumption is that the EU is lagging behind for lack of any large actors comparable to US (or perhaps also Chinese) firms.

On the basis of the above, EU AI policy would be concentrating on the vertical axis of Figure 1, trying to assert greater State control in an environment of concentrated private power. Yet, it would be remiss to leave out other, closely related elements of EU policy that affect AI and play out on the horizontal axis.

In particular, the European Commission (and NCAs) pursued a very active application of European (and national) competition law to leading firms in the digital economy, with a view to fostering competition on these markets. We will not rehearse the details of individual cases here, other than to note that so far, no major competition case in the broader digital sector has directly touched upon AI.

In addition, the DMA was enacted to provide further impetus to “contestability and fairness” on digital markets.¹⁰⁵ The links between the DMA and AI were not explored at first, but they are now becoming clearer.¹⁰⁶

Accordingly, even if this is not yet so clearly articulated, EU AI policy – through the application of competition law and the DMA – also tries to reduce or limit, as the case may be, the concentration of private power in AI. Since the instruments used by the EU in that respect have been more robustly enforced than antitrust law in the US,¹⁰⁷ EU policy would push further in that direction than the closest comparable on the US side, namely the policy under the Biden administration. The overall effect would therefore be to try to strengthen State control (through the AIA and associated policies) while also vying to push private power towards more dispersion.

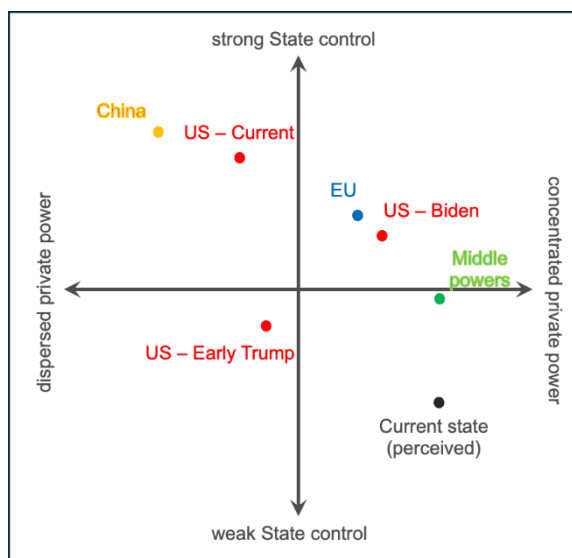
¹⁰⁵ Regulation 2022/1925 on contestable and fair markets in the digital sector (Digital Markets Act) [2022] OJ L 265/1.

¹⁰⁶ The European Commission asked for contributions on how the DMA can apply to AI, as part of its review of the DMA, launched in July 2025. The results of that review are expected later this year. There is already a measure of support in the European Parliament for extending the DMA to AI.

¹⁰⁷ Albeit one can argue about the effectiveness of EU enforcement in reality.



Transposed to the main figure, the AIA alone would be situated in the upper right quadrant, straight above the perceived state, but higher than the AI policy of middle powers, since it is a more robust assertion of State control via regulation: it is the furthest-reaching piece of AI-specific legislation worldwide, with a developed legal regime applicable horizontally to all GPAI Models and AI Systems, and the institutional framework to go along with it. When other policies are factored in – in particular competition law and the DMA – the EU is then brought further to the left, on account of its efforts to reduce or disperse private power.



Geopolitical dimension

The AIA is also designed to apply in a context of global harmonisation of AI governance. Actually, with the AIA, the EU hoped for a repeat of the “Brussels effect” that turned the GDPR into a global standard for personal data protection.¹⁰⁸ In contrast with the GDPR, however, the “Brussels effect” would run via different channels, for instance, through the standards developed to implement the essential requirements set out in the AIA for high-risk AI Systems or the obligations imposed in relation to GPAI models. The EU would derive many benefits: on the one hand, the high level of protection embodied in EU policy would become the global benchmark, giving it greater weight and legitimacy. On the other hand, worldwide standards would unavoidably give some structure to markets and create opportunities for EU-based AI firms that follow these standards, while providing EU non-AI-centric firms with additional opportunities to procure EU-compatible AI systems and models outside the EU.

When it shifted its AI policy with the 2025 Action Plan, the USA also changed the geopolitical perspective for the EU. Under the Biden administration, the USA actually played a pivotal role as between the State-driven Chinese model and the more rights-based, safety-driven approach of the EU (and to some extent of the middle powers as well). By coming closer to the EU on the substance of AI policy, the USA lent weight and credibility to the attempt to ensure that AI is safe, and in return the USA achieved the isolation of China as far as global AI governance was concerned.

As argued earlier, the USA is now bringing its AI policy closer to China’s, if not on substance, then as far as the levers of governance are concerned (upper-left corner), as the US-China rivalry is heightened. It is now the EU that finds itself somewhat isolated. At the same time, this means that it has now inherited the more pivotal role that the USA used to play.

¹⁰⁸ On the Brussels effect, see A. Bradford, *The Brussels Effect – How the EU Rules the World* (OUP, 2020).



4.2 Geopolitical options

For the purposes of this paper, we will now work backwards from the geopolitical dimension, towards the use of the levers of governance, on the assumption that the EU intends to maintain the substantive coverage of its AI policy, as it is evolving.

As mentioned above, as a side-effect of the shift in US policy in 2025, the EU now finds itself in a pivotal position in geopolitical terms. Very broadly speaking, the EU could either follow in the footsteps of China and the USA and embark upon its own AI empire-building attempt, or it could seek to come closer to the middle powers to form a weighty and credible countermodel to the US and China.

Building an EU digital empire

At first sight, the EU should be able to build a home-grown AI powerhouse comparable to that of the USA or China. It possesses the economic might to do so.

However, as the Draghi report and other comparable studies note, the EU is running far behind the US and China when it comes to AI research,¹⁰⁹ development and deployment.¹¹⁰ On certain elements of the AI technology stack, such as semiconductors or the broader software industry on which AI firms build, the EU is severely lacking. The path to becoming an AI powerhouse could be long and onerous. Furthermore, the institutional structure of the EU is such that it is difficult to see which public authority would step up to play the industrial policy and strategic role that the Chinese government plays or that the US federal government is aiming to play.¹¹¹ Seeking to become an AI empire on the US or Chinese model would also imply – at least in the eyes of the broader public, and probably also in those of many policy makers – fostering the creation and growth of EU-based “champions” in the likeness of OpenAI, Anthropic or even DeepSeek. It is not clear that the EU is equipped to produce such firms, in terms of ability to scale up quickly (without undue regulatory barriers across the internal market) and to obtain sufficient funding. A race to generate national champions at the level of each Member State would be even less productive.

Forming a credible countermodel

The other possible path is for the EU to seek a rapprochement, in terms of AI governance, with the ‘middle powers’ listed above, including the UK, Canada, Japan and Singapore. The policy objectives pursued by the middle powers are broadly compatible with those of the EU (safety, with increased attention to innovation). The main difference is that the EU has been more forceful with the enactment of the AIA, whereas the middle powers, for reasons explained above, have shied away from legislative intervention. At the implementation level, however, the EU and the middle powers find themselves in the same situation, i.e., trying to gain leverage over firms with considerable private power that do not primarily fall under their jurisdiction. In that sense, the presence of the AIA, especially now that its edges are being dulled somewhat, should not prove an impediment to further convergence on substantive policy.

¹⁰⁹ Supra note 105. Whilst basic research might still be quite comparable, the EU suffers from weaknesses as regards computing power, data, organisational know-how and leading talent.

¹¹⁰ Ibid. Some research indicates that the EU is not so far behind on deployment, however.

¹¹¹ Even if an EU Competitiveness Fund would help in this respect, US and Chinese policies are also driven by national security concerns, where the EU does not have a strong footing.



Outside of the realm of AI regulation in the narrow sense, however, the EU has more leverage than the middle powers. Through competition law and DMA enforcement, it can hope to reduce the concentration of private power in a way that middle powers cannot truly achieve (even if the EU may not have succeeded as much as it had expected with its enforcement efforts). Furthermore, if they can maintain open trade amongst themselves, the EU and the middle powers can share the burden of ensuring greater digital sovereignty vis-à-vis the USA and China. This is especially useful for the middle powers, avoiding inefficiencies and duplication, but also for the EU. Finally, a larger bloc including the EU and the middle powers would give more credibility and more critical mass to the rights-based approach followed by the EU as regards AI governance.

4.3 Levers of governance: reducing risk by leaving more room for diversity

For the EU and for the middle powers alike, the quest for AI supremacy, along the lines of the US AI Action Plan, is probably futile. Still their economies are all well-developed and ready (more or less) to integrate AI across the board. In other words, instead of being an end in and of itself, AI is more valuable to them as an ingredient, an input destined to affect all economic activity. Rather than chasing home-grown champions, a more appropriate metric for success, in that context, would be the presence of a flourishing AI sector that delivers added value across the economy (and beyond that, to the entire society). Such a flourishing sector need not be in the hands of a few champions; as was mentioned above, it is probably better if the AI sector is more competitive, if not downright commoditised.

Under these circumstances, the EU would probably do well to continue its efforts to promote the dispersion of private power and integrate these efforts more closely with its overall AI policy, so that the two levers of governance are used in a coordinated fashion.

As a starting point, competition law and related instruments, such as the DMA, must continue to be enforced in the digital sector, including AI. More policy development efforts should be made to adapt competition law enforcement to the realities of AI. For instance, as was pointed out already a few years ago in reports such as Cr mer, de Montjoye and Schweitzer’s *Competition policy for the digital era*,¹¹² the onset of platforms replaces market functioning as we traditionally conceive it with what they call “matchmaking”, i.e., closing a transaction on the basis of automated systems. If AI is simply added to platforms, sharpening their ability to engage in “algorithmic pricing” and similar practices, then private power will likely remain in a few hands. If on the other hand user-side agentic AI is fostered, more competitive markets could result, both for AI and for other products.¹¹³

¹¹² J. Cr mer, Y.-A. de Montjoye and H. Schweitzer, *Competition policy for the digital era* (European Union, 2019) at 21-22, 30-32, 45-46, 60-63.

¹¹³ See P. Shahidi et al. “The Coasean Singularity? Demand, Supply, and Market Design with AI Agents”, paper presented at the NBER conference on The Economics of Transformative AI (September 2025).



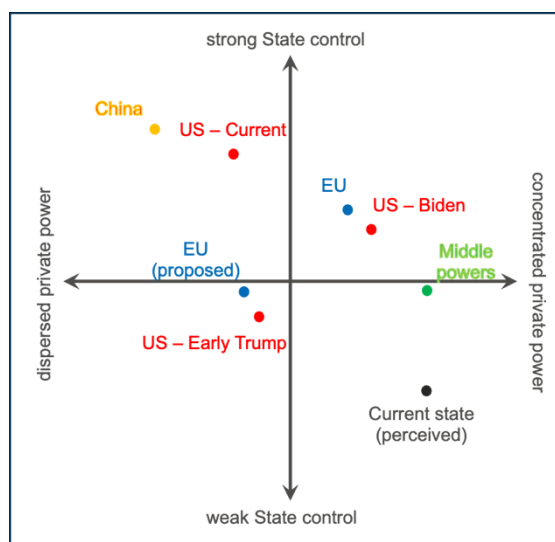
Stepping away from competition law as such, the design of AI legislation can also have an influence on the horizontal axis. For instance, while the horizontal nature of the AIA is appealing from a political perspective – as a broad and radical response to a public concern – it also threatens to confer an advantage on AI-centric firms, which are on their home turf in the AIA and its regulatory surroundings, when they are dealing with non-AI-centric firms that are integrating AI in their offerings and would then need to learn to deal with the AIA. The Digital Omnibus on AI¹¹⁴ changes the AIA by more explicitly subordinating the AIA to the existing product safety frameworks listed in Annex I AIA. This would shift home advantage, so to say, to the non-AI-centric firms and thereby diminish the private power of AI firms.

By the same token, measures like the promotion of open-source and/or open-weight models can also help to develop a more open space next to the large AI firms. At this stage, Chinese open-source models are perhaps too prevalent, given the stated Chinese preference for open-source. It could be desirable to diversify the origin of such models, for both security and alignment reasons. At the same time, open-source and/or open-weight models are more likely to accelerate the commoditisation of AI, which again would reduce private power.

The EU could also be involved with strategic investments to reduce bottlenecks elsewhere in the technology stack by adding to the existing offerings, either through direct investments or through measures to foster private investment.¹¹⁵

Finally, the EU could also seek to leverage the standardisation work conducted under the AIA and elsewhere, in order to try to broaden the AI market, offer more scaling opportunities to its firms, and perhaps even structure the AI ecosystem in such a way as to offer niches to a diversity of firms.

In the end, this would bring EU AI policy towards the lower-left quadrant of the main figure, i.e., a situation where the State exerts low-to-moderate control and private power is relatively dispersed. As was mentioned in Section 1, the lower-left quadrant leaves the most room for diverse ideas and innovations to emerge, in the absence of overbearing State control or private power. In the upper half of the figure, as State control increases, so does the influence of the State on the evolution of the technology, and with it the risk of error (with potentially large consequences). On the right half of the figure, as private power becomes more concentrated, technological evolution becomes controlled by a narrower set of firms (and managers), here as well creating a risk of error.



¹¹⁴ Supra note 106.

¹¹⁵ This is the thrust of the anticipated Cloud and AI Development Act, for which the Commission is set to table its proposal.



5. Conclusions and Recommendations

Three overarching conclusions emerge from the foregoing analysis.

First, the geopolitics of AI governance have shifted. On a fair reading of the 2025 AI Action Plan issued by the US federal government, the USA is moving towards China, on the upper-left quadrant of the analytical framework: State control is being asserted strongly over private firms, which are instrumentalised in the pursuit of national strategic objectives. On the US side, the primary driver is geopolitical rivalry with China; on the Chinese side, it reflects a long-standing commitment to State-led development, now carried forward in the AI+ Initiative and the new Five-Year Plan. In both cases, the result is a form of digital empire-building where private actors, however powerful, are ultimately subordinated to State objectives or at least are acting jointly with the State. Middle powers cannot credibly follow that path: their substantive priorities are different, and they do not have leverage over large firms that escape their jurisdictions.

Secondly, the EU now finds itself in a pivotal position. With the US having moved away from closer alignment with EU substantive priorities, under the Biden administration, the EU is now the primary proponent of a governance model that treats AI as a technology to be regulated and governed in the public interest, rather than a geopolitical asset to be weaponised. Whilst the EU has leverage due to the size of its market, it is however lagging behind in terms of AI technological prowess, where US and to a lesser extent Chinese firms are leading.

Third, private power in AI is more dynamic than policy discourse typically assumes. The standard picture — a durable oligopoly of frontier model providers — is both incomplete and potentially misleading. The broader technology stack is more fragmented. In addition, at this stage where AI is being integrated across the economy and society, competitive incentives are strong to provide technological and economic alternatives to the current leaders. Entry is possible (even if scale does seem to matter). A scenario of progressive commoditisation of AI, in which the private power of AI firms is dispersed through competition and counterbalanced by the power of non-AI-centric firms, is plausible. Given that the EU has more to gain from a successful introduction of AI throughout its economy and society than from the race to build AI champions, EU policy should be designed towards that end.

Against that background, three recommendations are offered for EU AI policy.

Build a credible countermodel with the middle powers. The EU should invest in consolidating a governance alliance with the ‘middle powers’ (UK, Canada, Japan, Singapore and comparable jurisdictions), anchored in shared substantive priorities: innovation-friendly risk regulation, protection of fundamental rights, and mutually beneficial trade in AI. The AIA — particularly as revised by the Digital Omnibus on AI — and the domestic AI frameworks of the middle powers are close enough in substance to enable meaningful convergence (despite the formal divergence on the use of legislation).



Integrate the two levers of governance. EU AI policy has so far treated the assertion of State control via regulation (the vertical axis) and the dispersion of private power through e.g., competition law and DMA enforcement (the horizontal axis) as parallel but largely separate policy tracks. They should be woven into a single, coherent framework, so that both levers are used in a coordinated manner to push the EU towards the lower-left quadrant: moderate State control, combined with a more competitive and open AI ecosystem. Among other consequences, competition law should be adapted to AI, and the horizontality of the AIA should be downplayed.

Promote commoditisation and openness across the AI ecosystem. The EU should continue to actively support the development of open-source and open-weight models, in order to diversify their origins beyond the current predominance of the US and China, for both security and alignment reasons. It should foster a legal and regulatory framework (including standardisation) that is geared to empowering non-AI-centric firms in their dealings with AI model and systems providers and enabling non-AI-centric firms to integrate AI as one input in their products. This will ensure that the EU derives the most value from AI, even if it might mean that the EU does not produce AI behemoths on the US or Chinese model.



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