

# INNOVATION NOT REGULATION: HOW EUROPE CAN COMPETE IN THE AI RACE

→ **A NEW DIGITAL REVOLUTION IS UPON US. AND ONCE** again, Europe is lagging. As was the case with the Internet explosion of the 1990s, the companies driving the present AI Revolution are almost exclusively American: OpenAI, Anthropic, Google DeepMind, xAI, Nvidia, and many others.

While Europe remains strong in niches like semiconductor manufacturing, its strict regulatory regime for AI could leave the continent far behind in what many consider to be the next Industrial Revolution.

The Trump administration recently decided to step back from stricter regulation of AI in the United States, rather than risk America's leadership in this future-defining sector. Europe, by contrast, is moving aggressively in the opposite direction. The European Union's AI Act represents the most comprehensive effort yet to regulate artificial intelligence, imposing new compliance requirements and legal obligations on developers and users of AI systems.

The legislation is driven by understandable concerns over privacy, discrimination, transparency, and public safety – legitimate issues that deserve attention. But Europe risks making a familiar mistake: regulating innovation before it has had a chance to flourish.

Europe helped develop many of the technologies that formed the foundation of the Internet age. Yet when the digital economy bloomed, the world's dominant platforms emerged elsewhere. America produced Google, Amazon, Meta, Apple, and Microsoft. China produced Alibaba, Tencent, and ByteDance. Europe produced regulations.

The consequences extend beyond corporate rankings and valuations. The world's leading technology companies generate jobs, attract capital, drive research, strengthen national security, and shape global standards.

AI is rapidly becoming a general-purpose technology with the potential to transform virtually every sector of the economy. From drug discovery and advanced manufacturing to financial services, education and defense, AI will increasingly determine which nations lead and which follow.

That is why policymakers should be careful not to confuse managing risk with eliminating it.

Innovation has always involved uncertainty. The steam engine, electricity, aviation, and the Internet all carried risks alongside enormous benefits.

Europe's challenge is not a lack of talent. Its universities produce world-class engineers, scientists, and mathematicians. Its research institutions remain among the best in the world. The problem is that too many entrepreneurs, investors, and innovators encounter a policy environment that treats technological disruption primarily as a threat rather than an opportunity.

The result is predictable. Capital flows elsewhere. Start-ups relocate. Talent follows investment. Over time, innovation ecosystems weaken.

None of this means AI should operate without rules. But there is a profound difference between creating sensible safeguards and constructing regulatory barriers that make innovation prohibitively expensive.

Europe still has time to compete. It has the talent, institutions, and economic strength to play a major role in the future of AI. But doing so will require a shift in mindset – from seeing regulation as a substitute for innovation to recognizing that innovation itself is a strategic asset.

The AI Revolution is still in its early chapters. But one lesson from the Internet age is already clear: technological leadership rarely belongs to those who move most cautiously.

To be more than a consumer of AI developed elsewhere, Europe must ensure that its innovators have the freedom to build, compete, and succeed.

My own lived experience follows this trajectory. My husband and I moved to the United States to study and work at Stanford University in California, where we encountered possibilities unavailable in our native India.

There we met a Russian-born PhD student, Sergey Brin, whom we mentored as he laid the building blocks for Google with his business partner Larry Page.

If Europe continues on its regulatory path, the brightest minds of tomorrow won't seek out the continent to develop the boldest innovations of tomorrow.

It's not too late – Europe still possesses many advantages, and now is the time to embrace innovation rather than regulation. ■

## ABOUT THE AUTHOR

In addition to being an angel investor in Silicon Valley, **ASHA JADEJA** supports innovation and entrepreneurship globally and is the founder of the Motwani Jadeja Foundation, which fosters stronger ties between the United States and India.

