

The European AI market is characterized by strong dynamism, competitiveness, and innovation. Current evidence does not justify the need for preemptive regulation under frameworks such as the Digital Markets Act (DMA). On the contrary, such measures could hinder the growth of Europe's emerging AI ecosystem and ultimately undermine the very competition they are intended to safeguard.

1. Overwhelming Evidence of a Vibrant, Competitive Market

The AI sector is characterized by explosive growth and decentralization, not consolidation.

- **Proliferation of Choice and Players:** The market is flooded with options. Globally, [over 2,000 distinct firms operate across various layers](#), including foundational models, infrastructure, application developers, and middleware platforms. Powerful open-source models from European champions like Mistral AI, alongside Meta's LLaMA and Google's Gemma, provide potent, low-cost alternatives to proprietary systems, drastically lowering entry barriers for startups.
- **Plummeting Costs:** Innovation is making AI more accessible. OpenAI [announced](#) that the cost per million tokens has fallen from \$36 to \$0.25 in just 18 months. This makes AI the greatest cost-depreciating technology ever invented.
- This deflationary trend empowers smaller players and fuels widespread experimentation.
- **Intense Competition at the Application Layer:** The primary competitive battleground is shifting to the application layer, where specialized firms are creating industry-specific solutions. This plays to Europe's strengths, with companies like Stellantis (automotive) and DeepL (translation) successfully leveraging AI.

2. Strategic Partnerships as Pro-Competitive Catalysts

Partnerships between large tech firms and AI startups, a subject of regulatory focus, are proving to be overwhelmingly pro-competitive.

- **Fueling Innovation and Scale:** These collaborations provide startups with essential capital, computing infrastructure, and market access. This is not evidence of foreclosure but of symbiosis; it enables innovators to scale rapidly.
- **Non-Exclusivity Prevents Lock-In:** The market norm is non-exclusivity. For example, France's **Mistral AI partners with Microsoft, Amazon, and Google simultaneously**, demonstrating that AI firms retain significant bargaining power and strategic independence.
- **No Evidence of Harm:** To date, competition authorities have found **no concrete evidence of anti-competitive harm** from these partnerships. Restricting them on theoretical grounds would choke off a vital lifeline for the European startup scene.

3. Market Dynamics Naturally Resist Entrenchment

The AI market has inherent features that prevent "tipping" and protect consumer choice.

- **Multi-sourcing is Standard Practice:** Customers are not locked into single ecosystems. Major

enterprises like Goldman Sachs and Estée Lauder actively use a multi-provider strategy, selecting the best model for each task from a range of vendors (OpenAI, Google, Adobe, etc.).

- **Switching Costs are Low and Falling:** A vibrant ecosystem of tools (e.g., OpenRouter, LangChain) provides unified interfaces that make it technically simple for developers to switch between different foundation models. This creates a "plug-and-play" environment that keeps incumbent providers on their toes.
- **Specialists Thrive Alongside Incumbents:** Vertically integrated solutions have not crowded out the market. Germany's **DeepL** has become a global leader in AI translation by out-competing larger players on quality and focus, proving that specialized European firms can succeed.

The AI market is working. It is a hotbed of innovation, characterized by falling costs, abundant choice, and low barriers to entry. Applying a rigid, *ex ante* regulatory framework would be a solution in search of a problem, creating compliance burdens that disproportionately harm the smaller players and startups Europe needs to cultivate.

We urge the Commission to adopt a policy of active monitoring rather than premature intervention. The focus should be on addressing Europe's structural challenges—such as the venture capital funding gap—not on regulating a competitive market that is delivering value and opportunity.