



ARTIFICIAL INTELLIGENCE

ARTIFICIAL INTELLIGENCE (AI) IS BECOMING A KEY ELEMENT OF INNOVATION AND COMPETITIVENESS IN THE APP ECONOMY.

AI enables app developers to deliver smarter, more efficient, and personalised solutions to users, driving growth and fostering technological advancement. As the regulatory landscape evolves, it is crucial to strike a balance between fostering innovation and addressing ethical concerns. Policies must be crafted in a way that supports the diverse needs of the app economy, particularly the small and medium-sized enterprises (SMEs) that rely on AI to compete and thrive in a dynamic market.

IMPORTANCE OF AI FOR SMALL APP COMPANIES

While the concept of AI is not new, the implementation models of AI are changing almost daily. SMEs have been early adopters of AI, providing solutions to consumers much faster than the larger, more entrenched competitors. However, regulatory overreach or undue complexity in frameworks such as the EU AI Act and the proposed AI Liability Directive would actually play into the hands of entrenched incumbents and would disproportionately affect smaller players, increasing compliance costs and stifling innovation.

IMPACT OF RECENT REGULATORY ACTIONS

We share the AI Act's goals of harmonising laws across the EU, promoting the ethical use of AI and enhancing competition. Our focus is on ensuring that the regulation is implemented in a way that benefits SMEs without imposing excessive burdens, such as added costs and complexities that disrupt smaller businesses. A risk-based approach aligns with our AI policy principles, leaving room for innovation while addressing potential harms effectively. Such an approach should create incentives for the appropriate distribution and mitigation of risk and liability, specifically for those in the value chain with the ability to minimise risks based on their knowledge. Because there are risks in how the AI Act will be implemented, it is crucial that definitions around high-risk AI and general-purpose AI (GPAI) are applied in a way that preserves the flexibility to compete and innovate while avoiding regulatory overreach and unnecessary burdens.

Additionally, while we appreciate the EU AI Act's acknowledgment of copyright issues related to data used for AI training, our members need strong protections to safeguard hard work and creativity. The AI Act aims to ensure that creators are informed when their copyrighted materials are used in training AI systems, helping maintain the integrity of their intellectual property. However, we believe further guidance is needed on how these copyright provisions will be implemented in practice.

Also, the combination of the EU AI Act, the AI Pact, and the forthcoming Code of Practice has created a complex regulatory environment. While these tools are designed to address risks posed by AI and provide much-needed guidance, one of them, the AI Pact, created uncertainties regarding its role and obligations, leaving many businesses, particularly SMEs, facing significant challenges.

At the App Association, we recognize the effort to offer guidelines and support through initiatives like the AI Pact and Code of Practice. However, policymakers must be cautious of the burdens these frameworks may impose on SMEs that often lack the resources to adapt to a rapidly changing regulatory landscape. The voluntary nature of the Pact and Code offers flexibility, but the confusing connection between these initiatives, the AI Act, and the uncertainties surrounding future legal obligations makes long-term planning difficult for many SMEs.



We are closely following the proposed AI Liability Directive. In this context, we highlight that the adopted AI Act is already a significant step in regulating AI. Therefore, the EU's focus should be on ensuring the AI Act's seamless and successful implementation before introducing additional AI-specific rules that could impose further burdens on SMEs in an already complex regulatory landscape and risk stifling innovation. We acknowledge that the European Commission's intent to withdraw the AI Liability Directive in the 2025 Commission work program aligns with our concerns, and we hope the European Parliament and Council will support such decision in order to make the regulatory environment more manageable for SMEs.

We ask policymakers to be considerate of SMEs when developing regulations in order to maintain a competitive AI environment. This includes clear, consistent guidance on compliance expectations and streamlined pathways for early-stage AI development. Striking this balance is essential for fostering an innovation-driven AI ecosystem that empowers small businesses to scale and compete globally.