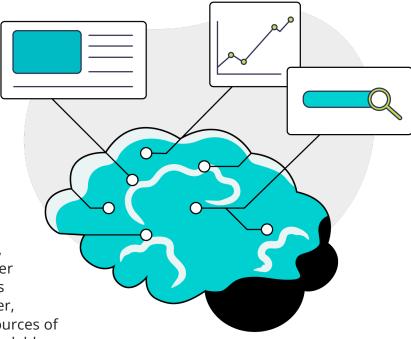# ARTIFICIAL INTELLIGENCE (AI) POLICY

ENSURING SMES AND INNOVATION ARE FRONT AND CENTRE OF ARTIFICIAL INTELLIGENCE (AI) POLICY

Artificial Intelligence (AI) is becoming a key element of innovation and competitiveness in the app economy. It 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 SMEs that rely on AI to compete and thrive in a dynamic market.

WHY AI MATTERS FOR TECH SMES

While the concept of AI is not new, the implementation models of AI are changing almost daily. Many small developers have used AI and machine learning for years to look for bugs and to manipulate data. SMEs are therefore well placed to be at the forefront of this new AI revolution, creating their own models to deliver exciting new products and services across multiple industries. However, SMEs often lack the extensive resources of larger firms, making access to affordable, effective AI solutions critical for their success. The UK's AI Opportunities Action Plan is a welcome move from the EU's more restrictive AI regulations. It represents a major shift in how the UK approaches artificial intelligence and could create substantial opportunities for the UK's small businesses and independent developers if implemented effectively.

LESSONS FROM THE EU AI ACT

The objectives of the EU AI Act around promoting the ethical use of AI and enhancing competition are sound. However, there are concerns this regulation could overreach and act as a limit to EU innovation. In the UK, it is crucial to apply definitions around high-risk AI and general-purpose AI (GPAI) in a way that preserves the flexibility to compete and innovate, while avoiding regulatory overreach and unnecessary burdens.

The EU AI Act has also acknowledged copyright issues related to data used for AI training. We believe further guidance is needed to help SMEs, like our members, maintain protections for their work and creativity, while reducing uncertainty and liability risk when training models using existing data sources.

As the UK develops its approach to AI regulation, it is essential to prioritise the needs of SMEs to maintain a competitive and innovation-friendly environment. Criticism of the EU's AI Act highlights the importance of careful regulation, its complexity risks burdening SMEs and stifling innovation. To avoid a similar outcome, UK policymakers must ensure that any new regulations must avoid creating unnecessary obstacles for SMEs while providing effective oversight.

SMES AND AI REGULATION

The App Association advocates for balanced, flexible, and forward-thinking policies that foster innovation while ensuring ethical standards. Our focus is on ensuring that any future AI regulation benefits SMEs without imposing excessive burdens, such as added costs and complexities that disrupt smaller businesses. AI regulation must strike a balance between addressing potential harms effectively and leaving room for innovation. It should ensure the appropriate distribution and mitigation of risk and liability, while giving British SMEs the freedom to innovate and develop global AI leaders right here in the UK.