Executive Summary

As Europe's nascent industrial policy on AI gains steady momentum, potentially allocating significant public and private funds and shaping regulatory actions, we need public scrutiny and debate to assess these initiatives critically. That's where this report intervenes: to ask hard questions about the resource allocation in these nascent strategies and the process by which priorities will be decided; and, most fundamentally, to examine the premises underlying this vision

- How does the market structure of large-scale AI challenge traditional strategies for achieving digital independence?
- Is Europe's technological dependence on a few dominant incumbents reversible, or is the dependence structural?
- Do we have a robust evidence base to undergird the claims of AI's long-term benefits, including productivity gains and potential for breakthrough science?
- Does public investment in AI contradict Europe's social model and sustainability goals?
- Could the narrow focus on AI for public investment in technology create infrastructural lock-in?
- Is the rapid deployment of AI tools in sensitive social sectors necessary for the efficient delivery of public services, or does this raise more concerns than benefits?

This collection of essays and interviews by leading experts seeks to provide EU policymakers with policy research, perspectives, and evidence about the pitfalls and challenges that come with expanding public investment in the context of a highly concentrated global AI market. We also outline possible paths forward on competition, public digital infrastructure, and digital industrial and innovation policy more broadly. We will also explore what Europe's dependence on incumbents looks like, and how competitive Europe's AI market is in practice. While authors differ in their stances, backgrounds, and political positioning on these issues, they are united in showing that past tools and approaches are not fit for purpose.

Key recommendations

1. A Public-Interest Vision for AI in Europe

- The EU's AI strategy needs a coherent public-interest vision to help it move beyond the poorly defined and narrow motivations of sovereignty and competitiveness.
- This must start with rigorous scrutiny of the premise that investing in AI will lead to societal and economic benefit in the first place—including the pervasive (but empirically contested) claim of productivity gains.

2. Industrial Policy Should Challenge, Not Entrench, Existing Concentrations of Power in the AI Stack

- At minimum, industrial policy should be designed so that it doesn't worsen the concentrations of power in the AI stack by funneling public money to companies that already dominate the market.

3. Large-Scale AI as Inconsistent with Europe's Climate Goals

- Large-scale AI's current trajectory has serious climate impacts that might stand in irreconcilable tension with Europe's environmental and green transition goals.

4. Conditionalities to Industrial Policy are Essential to Ensure Public Benefit

- Public funding or access to other public resources (including land, water, and energy) must be attached to conditions that guarantee outcomes that serve the broader public interest.
- This includes accountability, climate, and labor conditionalities and standards. Conditionalities must be crafted through participatory processes that involve civil society, trade unions, and affected communities, with guaranteed transparency into the implementation of conditionalities.

5. Industrial Policy Must Not Promote Uncritical Application of AI Into Sensitive Social Domains

- Incentivizing blanket AI adoption in the public sector could contribute to a hollowing out of the state, a waste of public funds, single points of failure, and rights abuses, especially when deployed in risky contexts or in ways that are incompatible with AI's inherent limitations.

6. Innovation Grows with Bold Regulatory Enforcement

- Rather than pit innovation against regulation, industrial policy investments should move in tandem with bold regulatory enforcement, with the goal of shaping innovation in the public interest.

7. Europe's Place in the World: EU trade and industrial policy will have global ripple effects

- In what is perceived as an existential race for geopolitical influence and competitiveness vis-à-vis the US and China, and amid widespread fears of Europe's subordination, Europe must not lose sight of the the many ways in which its policy orientation will shape the landscape of possibility, not just for the EU but also for the rest of the world. In particular, a neoliberal approach to digital trade policy could stifle an ambitious industrial policy strategy that prioritizes people and the planet.

Neither incremental change, nor significant investments into a predefined innovation trajectory, will benefit the public interest. Instead, European tech and innovation policy needs a radical reset. Europe must grapple with no less than existential questions about the direction and nature of its digital future. Answering these questions requires abandoning comfortable, established speaking points, superficial analyses, and bland statements that stand in for a serious discussion of what technology politics could be:

- What kind of (digital) future does Europe want?
- What role can, and should, AI technologies play in this future?
- Who will have a say in determining the path?