AI Regulation and the Future of US Leadership

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Written Testimony of

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Chairman Bilirakis, Ranking Member Schakowsky, and members of the subcommittee, my name is Sean Heather, and I am the Senior Vice President of International Regulatory Affairs and Antitrust the U.S. Chamber of Commerce. Thank you for the opportunity to testify at today's hearing regarding the European Union's Artificial Intelligence Act.

The U.S. Chamber of Commerce is the world's largest business organization. Our members range from the small businesses and local chambers of commerce across the country that support their communities, to leading industry associations and global corporations whose innovations are shaping the future and solving the world's most pressing challenges. Our mission is to advocate for policies that foster economic growth, job creation, and innovation. We play a pivotal role in helping to shape global digital policy, advocating for a regulatory environment that supports the dynamic and rapidly evolving nature of technology.

The U.S. Chamber has also long advocated for AI as a positive force, capable of addressing major societal challenges and spurring economic expansion for the benefit of consumers, businesses, and society. In 2019, we were the first major trade association to develop AI policy principles. Initially intended to guide policymakers in positioning the United States to take full advantage of the economic potential of AI, over the past fifteen months we have worked to update these Principles to ensure America remains at the forefront of AI development and deployment. In addition to these efforts, we promote rules-based trade and alignment around emerging technologies, including through standards that promote the responsible use of AI.

In this context, I appreciate the opportunity to share my views on the European Union's Artificial Intelligence Act. In short, the U.S. Chamber has significant concerns about the EU AI Act and its

impact on U.S. businesses, which we have articulated to policymakers both in Brussels and here in Washington.

Transatlantic Trade: A Key Economic Partnership

The transatlantic trade relationship is vital to the United States, forming the largest and most beneficial economic partnership globally. The $9.5 trillion transatlantic economy underscores the importance of the U.S. and Europe as each other's key markets. According to the Chamber's '2025 Transatlantic Economy' report, in 2024, U.S. goods trade with Europe reached $1.3 trillion, while services trade totaled $475 billion, resulting in a $75 billion U.S. surplus in services.

Artificial intelligence is a strategic sector for both the U.S. and the EU, with vulnerable supply chains. Continued innovation and investment in AI are crucial to maintaining our competitive edge and supply chain resilience.

Digital trade drives U.S. growth, with the economy projected to grow by 2.7%, fueled by consumer spending and AI investment. U.S. companies lead global data center investments, driven by demand for digital connectivity and cloud computing. In 2024, foreign investors committed over $106 billion to data centers, with U.S. technology firms leading the way.

US Dominance in AI is Not Guaranteed

AI is a transformative technology, in which the United States currently leads the charge in its development and application. It is estimated that AI will contribute up to $15.7 trillion to the global economy by 2030, enhancing productivity across sectors.[1] Driven by substantial private investment and prolific output of advanced AI models, U.S. companies currently sit at the cutting edge of AI innovation, producing revolutionary breakthroughs in algorithm development and application.

The European Commission's InvestAI initiative proposes a €200 billion investment over five years, with a significant portion of that expected from private investment. However, these numbers fall well short of the their ambition.[2] In 2024 alone, U.S. private AI investment grew to $109.1 billion, nearly 12 times China's $9.3 billion, and 24 times the U.K.'s $4.5 billion.[3] The gap is even more pronounced in generative AI, where U.S. investment exceeded that of China, the European Union, and the U.K. combined by $25.4 billion, up from a $21.8 billion gap in 2023.

U.S. financial commitment translates into tangible outcomes: last year, the U.S. produced 40 state-of-the-art foundation models, significantly outpacing China's 15 and Europe's three.[4] This

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[1] PwC's Global Artificial Intelligence Study | PwC

[2] https://digital-skills-jobs.europa.eu/en/latest/news/commission-launches-new-investai-initiative-mobilise-eu200-billion-investment-ai

[3] The 2025 AI Index Report | Stanford HAI

[4] The 2025 AI Index Report | Stanford HAI

disparity underscores our current dominant position in AI development and the United States' ability to drive innovation at scale.

However, even with our private sector's massive investment, we have seen other foreign-based technology companies make massive strides. For example, China's 'DeepSeek' released its R1 model in January of this year, rivaling many frontier models. At the Paris AI Action Summit in February, European Commission President von der Leyen noted that the "AI race is far from being over. We're only at the beginning. The frontier is constantly moving. Global leadership is still up for grabs."[5]

The ability of American companies to pioneer AI advancements will continue only if the United States provides a regulatory environment that promotes innovation, encourages private sector investment, and embraces technological change. Should policies and regulations inhibit these innovations through unnecessary and burdensome compliance, we stand to lose our dominant position. Leaving the door open to other countries seeking to become the global leader in AI.

This same sentiment was center stage in Vice President Vance's remarks before the Paris AI Action Summit where he emphasized the importance of focusing on the opportunity of AI, while cautioning governments that seek to unnecessarily restrict AI applications under the pretense of promoting AI safety. The Chamber agrees with the Vice President's perspective, recognizing the potential for AI to drive economic growth and innovation. The Vice President also warned that "excessive regulation of the AI sector could kill a transformative industry just as it's taking off, and we'll make every effort to encourage pro-growth AI policies." The Chamber is here to support this approach, advocating for policies that foster innovation and ensures the U.S. remains the leader in AI now and in the future. This kind of leadership is crucial for maintaining the country's competitive edge in the global market, driving economic growth, and creating high-quality and high-paying jobs**.**

Europe's Push for Overregulation

Europe has long maintained a policy posture that prescribes a precautionary approach as a justification for its regulation. Over the last decade, we have seen a slew of regulations, such as the General Data Protection Regulation (GDPR), Digital Markets Act (DMA), Digital Services Act (DSA), Data Act, EU AI Act, as well as various cyber and cloud policies emerge from Brussels. None of these policies is making Europe more competitive, yet all impose stringent compliance requirements for businesses, hindering Europe's competitiveness on the global stage.

This rush to regulate has translated to Europe's misguided belief that its regulatory prowess is a gift to the world and serves as a form of economic soft power. In addition to setting stringent standards in its domestic market, Europe is eager to export those standards, asserting itself as the regulatory leader around the globe. However, this regulatory fervor comes at a pivotal moment and should serve as a warning to the United States. Europe is now woefully behind in nearly all areas of the digital landscape. This includes not just AI, but cloud computing, semiconductors, and technology adoption.

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[5] Quotes From EU Chief Von Der Leyen's AI Speech at Paris Summit

More troubling is the frequent justification by European policymakers for these actions under the guise of establishing European tech sovereignty. European Commission President Ursula von der Leyen has asserted, "Europe must be able to make its own choices based on its own values, respecting its own rules," a statement made in the context of advancing the EU's digital sovereignty agenda.[6] More recently, in May 2024, French President Emmanuel Macron asserted European technological self-reliance, stating "Together, we will advocate to strengthen the EU's sovereignty and reduce our critical dependencies… With an ambitious industrial policy, we can enable the development and rollout of key technologies of tomorrow."[7] These sentiments were echoed in the European Commission's 2024 "State of the Digital Decade" report, which described the effort as "a wakeup call, urging Member States to make greater efforts… to contribute to a competitive, sovereign, and resilient EU."[8] Similarly, the European Council's official 2022 declaration on digital rights stated that "The EU's ambition is to be digitally sovereign in an open and interconnected world embracing empowered citizens and innovative businesses." While these initiatives are framed as strategic and value-driven, the persistent invocation of "digital sovereignty" raises concerns that such rhetoric serves as a pretext for erecting regulatory and market barriers that disadvantage non-EU firms, particularly U.S. tech companies.

Moreover, Europe's drive for tech sovereignty extends beyond regulations and includes digital services taxes (DST's) that directly target U.S. companies. DSTs have been imposed by Austria, Denmark, France, Hungary, Italy, Poland, Portugal, Spain, Switzerland, the UK, and proposed in a number of other European markets.[9] Their proliferation undermines U.S. exports, our tax base, and our trade relations with key partners. To his credit, President Donald Trump pushed back on DST's during his first term and this past February directed USTR to investigate retaliatory tariffs on countries that impose these taxes on U.S. technology companies.

This drive for technological sovereignty is why U.S. companies increasingly feel not only overregulated in Europe but discriminated against. Fortunately, Europe is beginning to realize a valuable lesson that the Chamber has long espoused: you cannot regulate your way to economic growth. Overregulation is not a key ingredient to innovation. Europe is not a leader in the tech space, nor in AI, because it has failed to create a regulatory environment that welcomes capital, tolerates risk, and facilitates entrepreneurial success. As articulated in the Draghi Report, Europe's tech sector and SMEs struggle to compete in the international market because of gaps in the European "innovation cycle,"[10] that stem from burdensome European regulatory regimes and insufficient investment capacity amongst local partners. If Europe continues to focus on regulation as its primary instrument for catalyzing growth, the gaps in the European innovation cycle will continue to persist and impede the bloc's technological development and competitiveness.

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[6] policyreview.info
[7] ft.com
[8] digital-strategy.ec.europa.eu
[9] Digital Tax Update: 2024 Digital Services Taxes in Europe
[10] European Commission | The Future of European Competitiveness(2024)

Europe's Approach Failed from the Outset

The U.S. Chamber has consistently expressed concerns that the EU AI Act fails to achieve a balance between regulating risk and fostering innovation. We are particularly troubled by the Act's implications for international business and trade.

Europe's shortcomings in regulating AI were clear from the outset. The EU already has several laws on the books that mitigate risks associated with AI, yet in its rush to regulate, Brussels failed to conduct a thorough review of its existing legal frameworks. The EU's consumer protection laws and product liability directives already apply to AI technologies. This overlap and the AI Act's likelihood to hamper, not further innovation, is well documented in the Draghi report and is becoming more widely recognized by EU leaders.

Additionally, there are regulations already in place governing AI applications in specific sectors. In life sciences for example, the EU has a comprehensive framework for governing clinical trials, medical devices, and health technology assessments. The same goes for sectoral requirements that governs Europe's financial and automotive industries.[11]

Despite existing frameworks, the EU opted to establish a new, comprehensive, untested AI Act, resulting in additional regulatory burdens, particularly for companies on the cutting edge of the technology. Who does this affect? Unsurprisingly, it's American firms, not European, raising significant concerns about the Act's impact on international business and innovation.

Critical Challenges Posed by the EU AI Act

Beyond its scope, the U.S. Chamber harbors deep concern over the details of the EU AI Act and the draft Code of Practice, which effectively serves as a one hundred-plus page AI Act implementation guide for providers of general-purpose AI models. The sheer regulatory complexity brought about by these rules is staggering. If implemented as written, both the Act and Code will undermine efforts to establish responsible standards and market interoperability for AI. I've detailed these concerns below.

Overly Broad Definitions: The Act introduces rigorous assessments for "high-risk" AI systems and proposes banning certain AI practices. However, the broad scope of what constitutes a high-risk AI application is problematic. Labeling entire sectors as high-risk will have significant repercussions for enterprises employing AI, including many U.S. companies, and will create operational challenges in Europe. This broad classification fails to consider the nuanced differences between AI applications within each sector, potentially hindering technological advancements.

Impact on General-Purpose AI: Applying high-risk requirements to all General-Purpose AI (GPAI) systems will also have unintended consequences. It risks stifling innovation in low-risk, general-purpose AI technologies that could otherwise benefit society without posing substantial risks. The Act's one-size-fits-all approach fails to consider the diverse nature of AI technologies and their varying impacts across different sectors. For instance, the requirements for high-risk AI

[11] Implementation of the AI Act: Numerous Tensions with Existing Regulations

systems in healthcare should build on existing rules and differ from those in other industries, such as financial services or aviation, rather than duplicating or conflicting with them.

While participation in the Code is not currently mandatory, we believe it could become the *de facto* benchmark for evaluating industry compliance with the EU AI Act and be replicated within other jurisdictions. This raises significant concerns about its impact on the very U.S. firms that are global leaders in the advancement of the technology. The language of the law suggests an ambition to create an official standard, with the Code serving as the bridge to that standard. Even the AI Act itself acknowledges this ambition, further solidifying the Code's role as a point of reference for compliance.

Disclosure and Intellectual Property Risks: The draft Code mandates extensive disclosure of sensitive business information, such as model architectures (structure and design), size (scale and capacity), and limitations (constraints or weaknesses) of AI models to Europe's AI Office, downstream providers, and potentially the public. This raises two major risks: first, releasing capability-unlocking IP could enable misuse of powerful AI systems; second, forcing disclosure of valuable IP undermines investment incentives and weakens the global competitiveness of American companies.

Security and Confidentiality Concerns: The Code fails to establish robust security measures for the EU AI Office, which would store highly sensitive data, creating vulnerabilities that could be exploited by malicious actors. Additionally, the transparency requirements exceed those in the AI Act, potentially forcing companies to disclose trade secrets to competitors, including from China.

Excessive Compliance Burden: The Act and the draft Code impose significant reporting and compliance obligations, creating an unnecessary administrative burden for companies. This is particularly challenging for SMEs that may lack the resources to meet these requirements. The Code also adds extensive publication mandates and testing by the AI Office as well as undefined third parties, which go beyond the AI Act.

Disparate Treatment: While the draft Code imposes lighter requirements based on the size of the firm, public safety and ethical AI deployment should not depend on the size of the company, but the specific risk associated with the application. While provisions such as exempting SMEs from appointing an AI officer are reasonable, we are concerned these exceptions are meant to bolster European firms at the expense of U.S. tech companies. It is imperative that the Code ensures a level playing field and avoids imposing rules that target U.S. businesses.

Lack of International Alignment: Despite claims of global cooperation, the draft Code diverges from the G7 Code of Conduct for Advanced AI Systems, which reflects an internationally agreed-upon approach. This misalignment risks fragmenting global standards, further complicating compliance for European and American businesses alike.

The Chamber commends the U.S. government for pushing back on the third version of the EU's draft AI Act Code of Practice. Their recent letter to the European Commission highlights

significant concerns and urges Europe to reconsider its approach.[12] This feedback underscores the ongoing international debate and the critical need for balanced, globally aligned AI regulations. The U.S. government's intervention echoes many of the concerns detailed above, particularly regarding the regulatory complexity, impact on SMEs, intellectual property risks, and lack of international alignment.

A Look Ahead: Navigating Data Governance and AI Innovation

Data is what fuels AI. While the AI Act is the focus of today's hearing, it's also worth watching the EU's approach to data governance and its Data Act. Tech policy debates are emerging around data governance, beyond privacy concerns associated with personal data. The EU's Data Act, set to take effect this September, will play a pivotal role in shaping these discussions. The Data Act aims to ensure access to data and promote data sharing within and across sectors. However, this legislation will prompt important questions about its interplay with the GDPR, the AI Act, and other regulations. It will influence how AI systems are developed and how companies operate, innovate, and compete.

Why Care?

So, why does this matter? Why not let Europe continue down its misguided path and regulate its way out of being a serious player on AI? As other non-democratically aligned countries continue to push for AI dominance, we need to bolster transatlantic partnerships in emerging technological areas. The United States should actively review European policies and asses their impact, encourage allies not to adopt similar approaches when warranted, and be prepared to push back against discrimination on U.S. businesses, as limiting market access will profoundly impact our domestic growth potential.

Despite our concerns with Europe's regulatory agenda and overreach, the Chamber recognizes the critical importance of maintaining a strong transatlantic partnership with Europe, including in the global AI landscape. In the race for AI supremacy, primarily between the U.S. and China, it is crucial that like-minded allies, with shared democratic values, collaborate to set norms that foster innovation. Vice President Vance in his Paris speech emphasized American leadership in AI, but he also stated that being a leader "doesn't mean we want to or need to go it alone." He made the case to "partner" in a "spirit of openness and collaboration." He went on to say "we need international regulatory regimes that foster the creation of AI technology, rather than strangle it. And we need our European friends to look to this new frontier with optimism rather than trepidation." Again, we agree wholeheartedly with the Vice President.

A weak, non-competitive Europe is not in America's interests. In addition to overly burdening and discriminating against U.S. companies, the stringent regulations of the EU AI Act risk making Europe less relevant in the rapidly evolving AI landscape. Europe's focus should be on promoting AI through innovation and agility, rather than requirements that will stifle its own growth, create barriers for established companies and startups alike, and deter new European

[12] US Objects to EU's Draft AI Code Weeks Before Finalization, Pressures Europe to Abandon AI Rulebook - WinBuzzer

entrants and European investment in AI. The AI Act is likely to shift even more AI innovation and investment away from Europe to regions with more favorable regulatory environments, further limiting Europe's own ability compete globally.

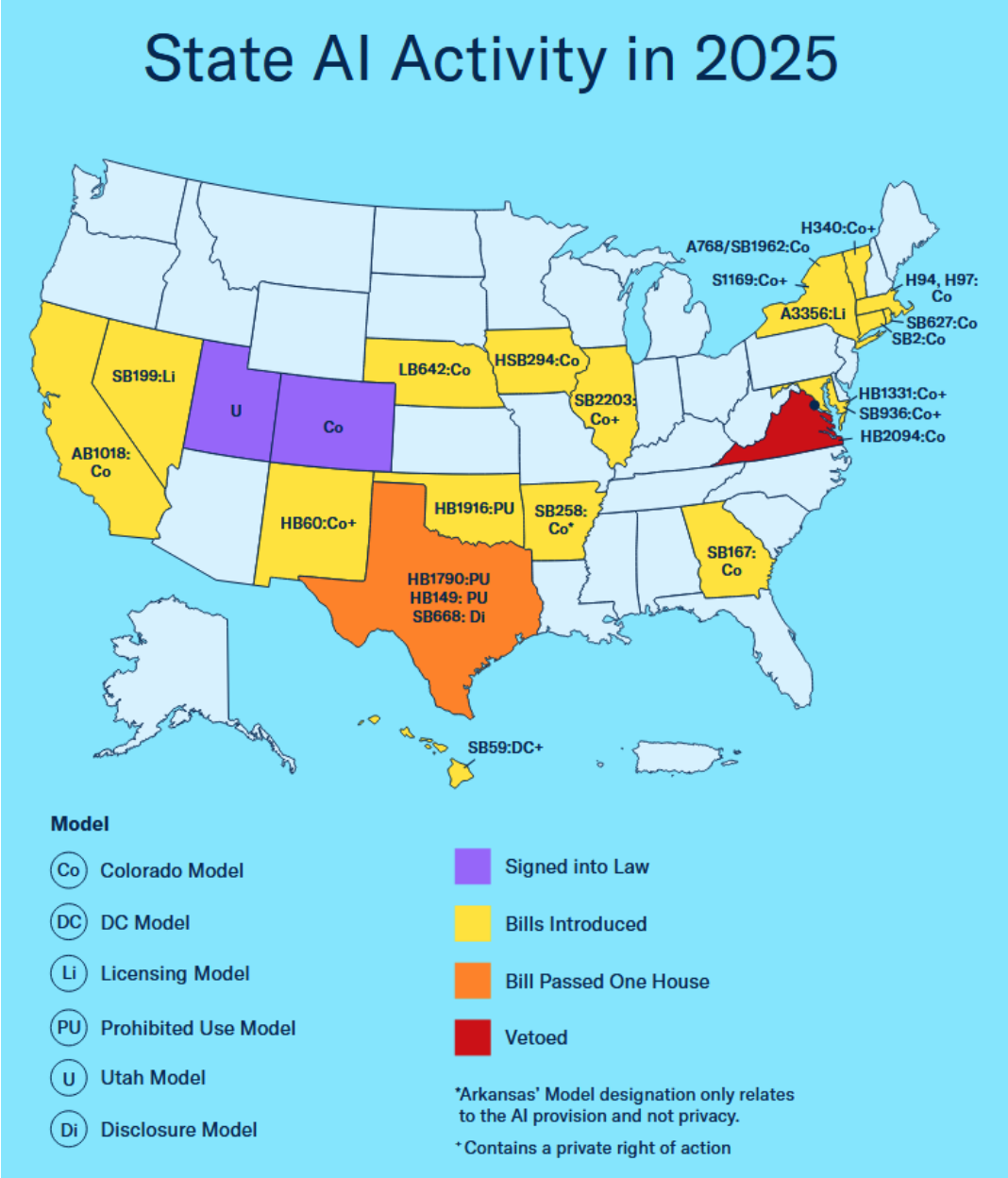
Risk of Global Adoption

Our broader concern with the EU AI Act is that it will not operate in a vacuum; instead, the EU is relying on the AI Act, as it has with other regulations to drive the global regulation. This influence, the "Brussels Effect," occurs when EU regulations become de facto global standards, as we saw with the GDPR for data privacy.

This effect is evident in AI governance, where the EU AI Act's approach is already being mirrored in other jurisdictions. This includes Canada's proposed AI and Data Act and Brazil's AI Bill of Rights, which incorporate similarly stringent requirements.[13]

In the United States, the EU AI Act's influence is already noticeable at the state level. States like Colorado, California, Texas, and Virginia, have introduced AI regulations echoing the EU's approach. For example, Colorado's AI Act, in line with EU requirements, mandates annual impact assessments. The Chamber is concerned that burdensome EU policies like these will continue to be adopted domestically at the state level, potentially leading to a fragmented regulatory landscape within the U.S., complicating compliance for businesses operating across multiple states and stifling innovation.

[13] https://www.networklawreview.org/almada-ai-act/



Moreover, the EU AI Act lacks a mechanism to assess and recognize other countries' AI laws as equivalent, exacerbating regulatory fragmentation. Without equivalency recognition, companies face varied regulatory requirements in each jurisdiction, increasing compliance costs and operational challenges. Preventing the spread of Europe's regulatory approach is crucial. It will fragment global AI governance, deter investment, and burden businesses striving to innovate and compete.

Addressing the Discriminatory Impact of the EU AI Act

We cannot allow American companies to be discriminated against by the EU AI Act. Its extraterritorial reach imposes substantial compliance costs on U.S. businesses, diverting considerable resources away from innovation, and undermining America’s competitive edge.

From requiring non-EU companies to appoint authorized representatives, to broad classifications of high-risk AI applications targeting non-EU companies, and more, the AI Act places American companies at a competitive disadvantage. By imposing these barriers, the EU risks not only harming U.S. businesses, but also our shared transatlantic technological advantage. Allowing discriminatory practices to set a global precedent only serves to undermine our mutual interests and values.

There is much uncertainty as to how regulators will interpret and enforce the EU AI Act, yet as with the DMA and GDPR, it appears that Europe has again imposed ambiguous yet burdensome regulatory requirements without considering technical feasibility, actual risks, or its impact on innovation, economic growth, and competitiveness. Moreover, the Act opens the door for European regulators to continue to use fines arbitrarily against American companies. For "compliance" failures, the Act relies on a three-tier scale to threaten companies with fines as high as $37 million or seven percent of global annual sales, whichever is greater. It establishes a "risk-based" approach in name only for regulating the deployment of AI systems. Before they can enter the European market, "high-risk" systems face strict requirements, such as having to disclose their data sets and capabilities. Some systems may even need to undergo testing and receive premarket regulatory approval. In adopting this approach, Europe has failed to consider how developers can even demonstrate that their systems comply with the Act's vague standards.

Closing: A Call to Action for Policymakers

The U.S. Chamber will continue to advocate to Europe that a balanced regulatory approach fostering innovation and competitiveness will ensure AI remains a force for growth and positive change globally. However, this effort cannot succeed in isolation. Lawmakers and policymakers in the U.S. play a crucial role in supporting industry efforts to promote sensible AI regulations aligned with these principles. By championing policies that encourage collaboration and investment, the U.S. can maintain its global leadership in AI development. Together, we can create an environment where AI and society thrive.