

Comments of

TechFreedom

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In the Matter of

Call for Evidence on Apply AI Strategy

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INTRODUCTION

The stated goal of the Apply AI Strategy is “to boost new industrial uses of AI and improve the delivery of public services, fostering innovation and competitiveness.”¹ Ultimately, the Commission aims to transform Europe into an “AI continent.”² To do so, the European Union must streamline its regulatory framework for AI, as lawmakers across Europe have begun to recognize.

The AI Act, for example, established a comprehensive framework focused on ethical AI and fundamental rights, using a risk-based approach that imposes significant requirements on high-risk AI applications. European lawmakers and technology companies, however, have expressed concerns regarding the law’s potential to stifle innovation and burden businesses, especially startups. Ultimately, if Europe cannot generate its own AI companies, it will suffer in more than just financial terms: it will fall behind in a key dimension of geopolitical competition. Moreover, if Europe lacks its own vibrant AI sector, European policymakers will have less practical leverage in ensuring that the foreign AI services on which Europeans depend will obey European laws intended to protect fundamental rights, including the AI Act.

Leading figures within the EU, including President Ursula von der Leyen and Tech Chief Henna Virkkunen, alongside a coalition of thirteen Member States (the D9+), have expressed interest in streamlining existing digital regulations to foster a more agile environment for AI development.³ This commitment is evidenced by initiatives such as the soft law approach of the Competitiveness Compass and concrete steps like shelving proposed strict liability rules for AI. The success of this evolving strategy will hinge on the EU's ability to delicately balance its regulatory ambition with its urgent need to accelerate innovation and investment in AI.

I. The European Union Should Implement Concrete Initiatives to Streamline Its AI Regulatory Framework.

Europe’s technology industry and startup communities have voiced concerns about the perceived burdens of existing regulations. Critics of the AI Act argue that its language is overly broad, inadvertently slowing down the development of AI systems as companies

¹ *Apply AI Strategy – strengthening the AI continent*, https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14625-Apply-AI-Strategy-strengthening-the-AI-continent_en.

² *Id.*

³ *Landmark digital declaration from EU ministers ignites calls to cut startup regulation*, <https://thenextweb.com/news/landmark-digital-declaration-from-eu-ministers-ignites-calls-to-cut-startup-regulation>.

attempt to understand and meet the extensive requirements.⁴ The comprehensive requirements of the AI Act demand significant resources—including time, money, and expertise—for compliance, posing challenges for smaller organizations and deterring investment. European technology companies also cite the General Data Protection Regulation (GDPR) as a major burden on AI development: estimates suggest it costs small IT companies over 12% of their profits.⁵

In response to the growing push for regulatory streamlining, EU politicians and lawmakers have recommended a variety of policy actions and proposals designed to foster AI competitiveness across Europe.

A. Streamlining the AI ACT

The European Commission has signaled a clear openness to "tweaking"⁶ and making "targeted changes"⁷ to the AI rules, with a primary focus on simplifying their implementation. A significant move in this direction was the Commission's decision in February to continue to "assess," rather than implement, strict liability rules for harm caused by AI.⁸

The EU is now prioritizing practical and flexible mechanisms, such as soft law, guidance, and regulatory sandboxes, to ease the burden and accelerate AI adoption, rather than solely relying on binding legislation. The EU is developing a new, voluntary "code of practice" for general-purpose AI model providers, like OpenAI's GPT and Google's Gemini.⁹ The code aims to outline how these complex models can comply with the AI Act's obligations, with the explicit goal of reducing the overall compliance burden.

Regulatory sandboxes are another powerful tool EU Member States can use to foster domestic AI innovation and adoption. Companies that completed successful testing within

⁴ *European Union AI regulation is both model and warning for U.S. lawmakers, experts say*, <https://www.newsfromthestates.com/article/european-union-ai-regulation-both-model-and-warning-us-lawmakers-experts-say>.

⁵ *Landmark digital declaration from EU ministers ignites calls to cut startup regulation*, <https://thenextweb.com/news/landmark-digital-declaration-from-eu-ministers-ignites-calls-to-cut-startup-regulation>.

⁶ *EU opens door to reworking AI rulebook*, <https://www.politico.eu/article/how-eu-did-full-180-artificial-intelligence-rules/>.

⁷ *EU Commission opens door for 'targeted changes' to AI Act*, <https://www.politico.eu/article/gpai-code-of-practice-to-come-in-weeks-ai-office-says/>

⁸ *Annexes to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions*, https://commission.europa.eu/document/download/7617998c-86e6-4a74-b33c-249e8a7938cd_en?filename=COM_2025_45_1_annexes_EN.pdf#page=27.

⁹ *General-Purpose AI Code of Practice*, <https://digital-strategy.ec.europa.eu/en/policies/ai-code-practice>.

the United Kingdom Financial Conducts Authority sandbox received 6.6x more fintech investment, and the sandbox reduced the average time required for the market authorization approval process by 40%.

Article 57 of the AI Act directs each Member State to establish at least one AI regulatory sandbox at the national level by August 2, 2026; currently, however, implementation and adoption of sandboxes varies across Member States. Initiatives to support implementation of regulatory sandboxes are key to meeting the AI Act’s timeline. Article 58(3) of the AI Act, for example, instructs Member States to direct prospective AI providers “to pre-deployment services such as guidance on the implementation of this Regulation, to other value-adding services such as help with standardisation documents and certification, testing and experimentation facilities, European Digital Innovation Hubs and centres of excellence.”¹⁰ Providing innovators with access to training, technical expertise, and infrastructure is key to fostering the development of safe, compliant AI systems.

B. Streamlining the GDPR

Despite widespread recognition that the GDPR empowered individuals and harmonized data protection standards, the past six years of its application have prompted significant discussions among EU politicians and lawmakers regarding its practical implementation. These discussions are driven by a dual imperative: to alleviate the administrative burden on businesses, particularly small and medium-sized enterprises (SMEs) and small mid-cap companies, while simultaneously enhancing the consistency and efficiency of GDPR enforcement.

Current streamlining initiatives primarily focus on two key areas. First, proposals aim to simplify record-keeping obligations under Article 30(5) of the GDPR, primarily by extending derogations to a wider range of smaller entities and linking mandatory record-keeping more directly to “high-risk” processing activities. Second, efforts are underway to harmonize cross-border enforcement procedures, addressing inconsistencies among national Data Protection Authorities and aiming to improve the effectiveness of the One-Stop-Shop mechanism.

1. Extending Derogations

In May 2025, the European Commission adopted a Single Market Simplification proposal, a key initiative within its broader strategy to reduce annual administrative costs for companies across the EU by €300 million.¹¹ This simplification effort will primarily target record-keeping obligations for SMEs and other small and medium-sized organizations,

¹⁰ EU Artificial Intelligence Act, Article 58(3), <https://artificialintelligenceact.eu/article/58/>.

¹¹ *Data protection in the EU*, https://commission.europa.eu/law/law-topic/data-protection_en

particularly those with fewer than 500 employees. The proposal specifically aims to extend the derogation from record-keeping obligations under Article 30(5) to a new category: Small Mid-Cap Companies (SMCs).

2. Streamlining Cross-Border Enforcement Procedures

While the GDPR introduced the One-Stop-Shop mechanism to facilitate consistent application in cross-border cases, practical enforcement has revealed significant inconsistencies across Member States.¹² National procedural rules for handling cross-border complaints vary widely, leading to protracted and often inefficient processes. Cases can extend for years, with some simple cases taking five or more years to resolve, accompanied by issues such as lost documents and failed enforcement actions. These inconsistencies and procedural hangouts undermine the GDPR's overall effectiveness.¹³ The “consistency mechanism” and the OSS, which were intended to streamline cross-border cases by designating a single Lead Supervisory Authority, have not functioned as effectively as envisioned, prompting calls for reform.¹⁴

In its 2023 Work Programme, the European Commission announced its intention to significantly improve cooperation among national data protection authorities in enforcing the GDPR.¹⁵ On July 4, 2023, the Commission formally adopted a proposal on procedural aspects of the GDPR. Key elements of the Commission's initial proposal included streamlining the filing and handling of complaints, as well as explicitly granting parties the right to be heard and have access to relevant documents.

CONCLUSION

The proposals discussed above are just a small sampling of streamlining initiatives percolating in the EU. The EU should implement these streamlining proposals and continue to explore avenues to simplify Europe's regulatory framework for artificial intelligence. Europe has cemented itself as a global leader in AI regulation. Now is the time to focus on increasing AI development in the EU.

¹² *European Commission Reviews First Two Years of GDPR: A Success Story with Room for Improvement*, https://www.vbb.com/media/Insights_Articles/Newsflash_-_GDPR_Evaluation_Report.pdf.

¹³ *Digital Law Up(to)date: A first evaluation of the GDPR two years after implementation*, <https://www.stibbe.com/publications-and-insights/digital-law-uptodate-a-first-evaluation-of-the-gdpr-two-years-after>.

¹⁴ *Europe preparing to 'ease the burden' of landmark data privacy law*, <https://therecord.media/eu-proposal-changes-gdpr-small-medium-businesses>.

¹⁵ *Further specifying procedural rules relating to the enforcement of the General Data Protection Regulation*, <https://www.europarl.europa.eu/legislative-train/theme-a-new-push-for-european-democracy/file-specifying-procedural-rules-relating-to-the-enforcement-of-the-gdpr>

Respectfully submitted,

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