



## **Why Meta Avoids the EU Market and Maintains a Friendly Relationship with the US Market: Regulatory Challenges and Market Dynamics Compared**

*by Patrick Jungo, AI Professional*

While the EU is working toward unified and stricter regulation of AI applications - stricter than, for instance, in California - the risks and legal uncertainties in the European market for AI applications based on large language models are simply too high for the company "Meta" from the Pacific southern state. The well-known uncertainty associated with the latest technology that will change the world cannot be easily resolved. Yet, despite this hesitation, we Europeans should not be discouraged and should learn from the Californians.

In the EU, there is the EU AI Act, which came into force on August 1st and applies to all member states of the EU. However, the exact content and standards are still being negotiated, which is why the EU AI Act is not yet enforceable.

The International Standards (ISO), as well-known as the good and old uncertainty about market rules, are extremely valuable, and their implementation provides AI users with a certain level of assurance that they comply with EU requirements, even though, as of now, no EU law exists from which concrete rights and obligations concerning AI applications can be derived. Meta surely would not want to claim ignorance of these "relatively" well-known ISOs, raising the question of why Meta focuses so heavily on the slow-moving EU legislation as a justification for banning the EU market when applying the ISO would provide a much simpler, quicker, and time-tested solution. Wasn't it widely agreed, including by Meta's top management, that Meta's open-source strategy is aimed at directly challenging its American competitors?

We now need to definitively let go of this notion, and the question of the reason behind Meta's change of heart is purely speculative, which is why I do not wish to address it at this time.

For me as an AI professional, the following questions arise: Why is the EU, of all places, striving for a unified regulation across the entire internal market, while in the U.S., individual states are allowed to pass laws completely independently? California, for example, can draft AI legislation that varies significantly from the laws of other states. Due to the EU's efforts at harmonization, each member state is so eager to protect its

own interests that normal legislative negotiations are no longer feasible and are endlessly delayed, to the detriment of all."

This has implications beyond the EU's internal market: For example, Switzerland, which is not an EU member and, due to its small size in the midst of the EU market and surrounded by the world's largest economic powers, is entirely insignificant, has not even begun negotiations on regulating AI applications. It is likely to proceed in the same way it did with data protection: after the EU completes its negotiations on AI applications, Switzerland will simply copy the EU's regulations verbatim and incorporate them into its legal system. This way, Switzerland saves costs, which it, as such a small country, could never afford for legislation of such importance and long-term strategic significance.

We have now reached the point where we must acknowledge that the EU and its satellites suffer from a lack of understanding of democracy. The fact that this is being highlighted by a revolutionary technology like AI, which is already taking over the world and will continue to do so, should give us Europeans, who like to take democracy for granted, something to think about. A look across the pond, considering this assumption, certainly wouldn't hurt.

In conclusion, the EU's approach to AI regulation, while aiming for unity and strict oversight, is hindered by bureaucratic delays and competing national interests, which contrasts sharply with the more flexible regulatory landscape in the U.S. This creates challenges for companies like Meta, which cite EU legal uncertainties as reasons to avoid the market. Switzerland, in turn, may follow its usual pattern of adopting EU regulations to minimize costs. Ultimately, the slow-moving regulatory process highlights deeper concerns about the EU's grasp of democracy, especially as it faces revolutionary technologies like AI. A closer look at U.S. strategies could provide valuable lessons for the EU.

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