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The EU's 'long-arm' regulatory approach could create frosty US environment for European tech firms

By Solomon Klappholz published December 20, 2023

US tech firms are throwing their toys out of the pram over the EU's Digital Markets Act, but will this come back to bite European companies?

(Image credit: Getty Images)

The EU risks making the US a hostile environment for European tech firms with its Digital Markets Act (DMA), according to industry experts.

Tech leaders have voiced their concerns that stringent regulations from the EU may lead to US tech companies using their influence to increase the cost of doing business for European organizations in the US.

This comes after a group of US lawmakers signed a letter to President Biden arguing the DMA will unfairly target US tech firms.

Speaking to *ITPro,* CEO at OpenUK Amanda Brock said the reaction from lawmakers in the US was understandable but it was also no stranger to 'long-arm regulations'.

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"When looking at the letter, it's hardly surprising that the EU's long arm reach is frustrating US regulators, though then again the US has pushed a long-arm regulatory reach across the globe for many years," she said.

Brock added she feels the EU's 'waterfall approach' to legislation is outdated and incongruent with the new digital landscape.

"The question the EU needs to ask themselves is will this approach really allow a tech sector to flourish?

"Its waterfall approach to legislation – extremely prescriptive, detailed, and often paternalistic is one that might have worked in tech 25-30 years ago but which doesn't reflect the way our digital economy works – which is agile and flexible. Somehow legislators need to move to this."

European tech firms could face frosty reception in US

Dr Ilia Kolochenko, chief architect at ImmuniWeb and adjunct professor of cyber security and cyber law at Capitol Technology University, told *ITPro* the EU's regulatory approach is not perfect, but argued it is preferable to the 'Byzantine' regulatory framework in the US.

"While it's true that technology regulation in the EU – spanning from the mature GDPR to novel AI Act – is not 100% perfect, it's still better than the convoluted patchwork of state legislation on privacy and data protection matters in the US, which are only partially addressed by pretty obsolete US federal laws and regulations."

Kolochenko noted the two regions' approaches to tech regulation are "innately incompatible'.

The result of this incompatibility, Kolochenko fears, will be a punitive response from the US.

"US tech companies and other industries concerned by the extensive and arguably harsh EU regulations will probably lobby for a legislative response to make European companies pay a high price for doing business on American soil," he said.

"This outcome will be highly undesirable and counterproductive for both the US and EU. The ideal solution would be to find a middle ground approach to sustainably regulate innovation and technology that would peacefully coexist on both sides of the Atlantic."

How will the Digital Markets Act affect US tech firms?

The Chamber of Progress, a US-based technology industry trade group, has hit out at EU legislation, including the Digital Services Act and Digital Markets Act, arguing that the latter will force companies to limit their products at the expense of foreign competitors.

The lobby group has called on the Biden administration to provide greater support for US-based firms, who it suggested could be put at a significant disadvantage in European markets.

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"By imposing rules on their services but not those of foreign competitors, the DMA would effectively mandate top US firms offer products to consumers that are less secure, less useful, and less innovative than rival products from foreign tech companies".

The DMA will designate five US tech majors including Alphabet, Amazon, Apple, Meta, and Microsoft, as 'gatekeeper' service providers, who will be subject to stricter requirements to open up their messaging platforms.

Claims the DMA is not specifically targeting non-US firms are not strictly accurate, as the Chinese tech company Bytedance, owner of video hosting service TikTok, is also included on the European Commission's list of designated service providers.

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Staff Writer

Solomon Klappholz is a Staff Writer at ITPro. He has experience writing about the technologies that facilitate industrial manufacturing which led to him developing a particular interest in IT regulation, industrial infrastructure applications, and machine learning.
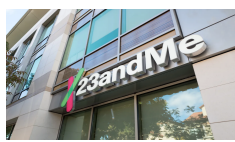
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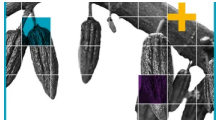**23andMe risks public relations disaster as it blames customers for data breach ▶**

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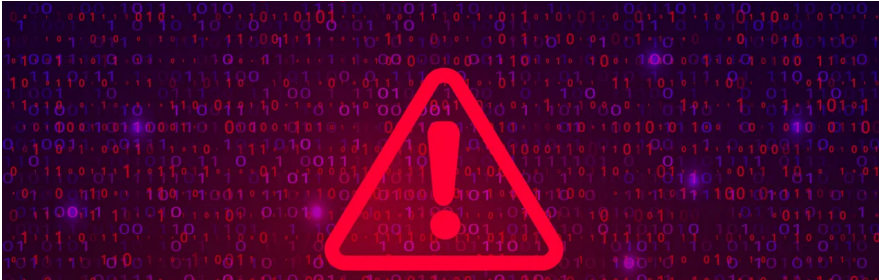
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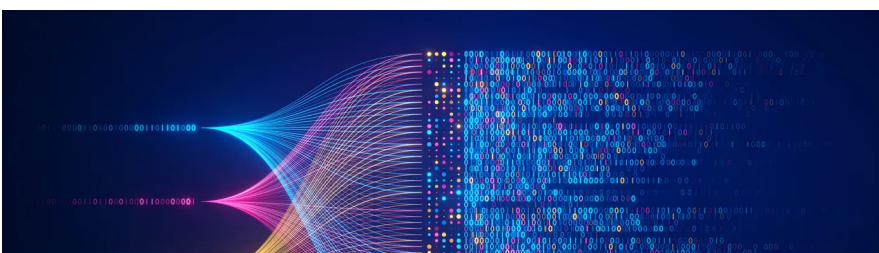By Solomon Klappholz 3 January 2024

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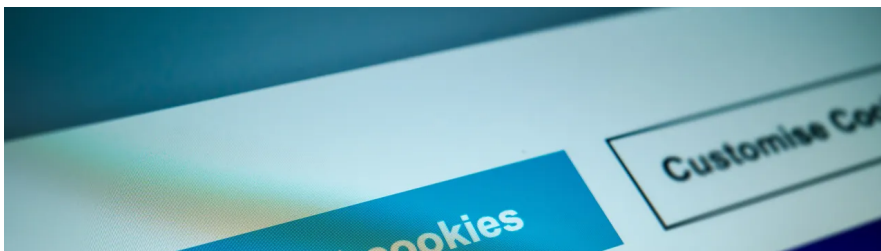By Solomon Klappholz 2 January 2024

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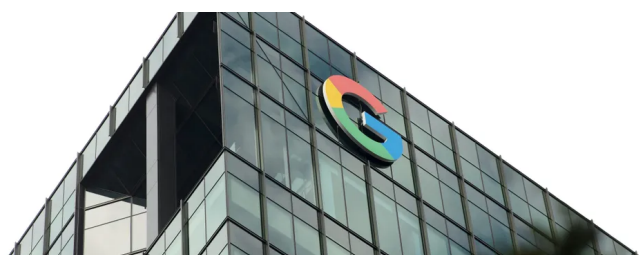
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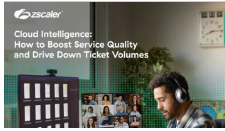

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