# UK and EU tech firms fall behind in AI race as regulations bite



British and European technology firms are falling behind their US counterparts in the AI race, with regulatory barriers cited as the key reason for slower adoption, rising costs and reduced access to cutting-edge tools. A new survey by the App Association, a global trade group for small and medium-sized tech enterprises, highlights a widening gap between the transatlantic tech sectors, despite the UK’s stated ambition to become an “AI Superpower.”

While 73% of tech SMEs globally view AI as vital to business success, just 32% of UK and EU firms have fully integrated AI into their workflows, compared with 45% of US firms. Around half of European startups are actively using AI, versus nearly two-thirds in the US.

The disparity is largely driven by regulatory complexity. More than three-quarters of British and European firms say regulation has harmed their AI progress, with 17% stating it has blocked or severely limited their AI plans. Many developers have had to strip features from models to meet compliance requirements, and 60% face delays accessing the latest technologies—compared with just 44% of US developers.

Mitchel Volkering, founder of Dutch-Brazilian AI firm Vaic.at, said innovation was being hampered: “We’re restricted from accessing innovative new tools and features that Apple and other US companies release in their home markets. In the EU, when these tools do arrive, they’re often late and degraded versions. Competing with the United States has never been more challenging than it is today.”

US firms benefit from a regulatory approach seen as less obstructive. The Trump administration rolled back several AI oversight measures, reducing compliance burdens and helping accelerate deployment. Regulatory delays affect 58% of UK and EU companies, compared with 44% in the US.

Financially, these delays carry a heavy cost. British and European SMEs lose between $109,000 and $375,000 annually, rising to nearly $530,000 for the most affected. The result is slower innovation, higher operating costs and customer attrition—45% of UK and EU firms report increased costs due to regulation, and nearly 30% have lost clients.

Still, there are signs of resilience. UK firms are leading the continent in AI adoption pace, with nearly a quarter of CEOs implementing formal AI roadmaps—a rate above the global average and well ahead of France or Germany. UK companies are also less likely to abandon AI projects due to regulatory hurdles.

Efforts to shift the landscape are under way. The European Commission has committed €1 billion through its ‘Apply AI’ strategy to accelerate adoption in sectors such as healthcare, energy and manufacturing, aiming to reduce reliance on US and Chinese technologies. The strategy is paired with new, pro-innovation regulations designed to maintain safety without stifling growth.

In the UK, parliament’s Science, Innovation and Technology Committee has urged faster implementation of adaptable AI rules. MPs warn that without reform, the country risks falling behind global competitors. Meanwhile, a report by Responsive and the Association of Proposal Management Professionals found that nearly two-thirds of B2B revenue leaders in the UK and EU saw returns from AI within the first year of adoption, indicating a maturing market with clear commercial value.

Morgan Reed, president of the App Association, said: “We’ve long known that European and British regulations on AI are having a negative impact, but now the data shows how stark these consequences are. American lawmakers should take note of the transatlantic AI gap and how it was created if they want to keep the U.S. at the forefront of innovation while avoiding a compliance culture that stifles growth.”

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## Bibliography

1. <https://www.digit.fyi/red-tape-uk-tech/> - Please view link - unable to able to access data
2. <https://actonline.org/2025/10/09/act-app-association-releases-survey-on-the-extent-of-transatlantic-ai-gap-and-impact-of-uk-eu-regulations/> - The App Association released a survey revealing that 76% of UK/EU tech SMEs report that regulations and compliance issues negatively affect their AI adoption, with 17% stating regulations hinder or block their AI plans. Additionally, 60% face delayed access to AI tools compared to other regions, and 58% experience launch delays due to regulation. In contrast, 44% of US developers report such delays, and smaller US tech firms do not face significant structural barriers to accessing the latest AI models. These regulatory delays cost UK and EU tech SMEs an average of $109k–$375k annually per firm, rising to $186k–$528k for directly affected firms. The App Association urges US lawmakers to consider the transatlantic AI gap and its implications for European economies and commerce. ([actonline.org](https://actonline.org/2025/10/09/act-app-association-releases-survey-on-the-extent-of-transatlantic-ai-gap-and-impact-of-uk-eu-regulations/?utm_source=openai))
3. <https://actonline.org/the-hidden-cost-of-ai-regulations-a-survey-of-eu-uk-and-u-s-companies/> - A survey by the App Association highlights that 60% of EU/UK tech SMEs report delayed access to frontier AI models, with over a third of developers having to strip or downgrade features to comply with regulations. In contrast, 44% of US developers report launch delays tied to regulation, but most describe them as moderate, and more than half have experienced no delays at all. Unlike their European counterparts, US SMEs do not face structural barriers to accessing the latest AI models. The survey underscores the impact of regulatory burdens on innovation and competitiveness in the AI sector. ([actonline.org](https://actonline.org/the-hidden-cost-of-ai-regulations-a-survey-of-eu-uk-and-u-s-companies/?utm_source=openai))
4. <https://www.itpro.com/business/policy-and-legislation/ai-adoption-rates-uk-europe> - Research indicates that UK organizations are leading in AI implementation compared to their EU counterparts. Nearly a quarter of UK CEOs have a formal roadmap for AI implementation over the next year, double the global average and nearly five times that of Germany. In contrast, 40% of CEOs in France and a third in Germany have cancelled AI projects due to regulatory uncertainty, while only 20% of UK CEOs have done the same. This suggests that the UK's regulatory environment is more conducive to AI adoption, enabling British firms to capitalize on the AI boom. ([itpro.com](https://www.itpro.com/business/policy-and-legislation/ai-adoption-rates-uk-europe?utm_source=openai))
5. <https://www.pymnts.com/cpi-posts/uk-risks-falling-behind-eu-and-us-in-ai-regulation-warn-mps/> - Members of the UK House of Commons Science, Innovation and Technology Committee have warned that the UK risks falling behind the EU and US in AI regulation. They urged the government to accelerate the implementation of a regulatory regime for AI, following the publication of an AI whitepaper outlining an 'adaptable' and 'pro-innovation' approach to regulating AI. The MPs emphasized the need for new legislation to control artificial intelligence to prevent the UK from being left behind as other regions set the pace for regulating the technology. ([pymnts.com](https://www.pymnts.com/cpi-posts/uk-risks-falling-behind-eu-and-us-in-ai-regulation-warn-mps/?utm_source=openai))
6. <https://www.itpro.com/technology/artificial-intelligence/ai-adoption-is-finally-driving-roi-for-b2b-teams-in-the-uk-and-eu> - A report by Responsive, in collaboration with the Association of Proposal Management Professionals (APMP), reveals that nearly two-thirds of B2B revenue leaders in the UK and EU are achieving ROI from AI adoption within the first year. The 'Winning Business in the Age of AI' report, based on insights from 200 revenue professionals, highlights growing buyer expectations for faster and more concise vendor responses. Successful organizations are integrating AI-powered solutions and agents into their go-to-market strategies, with 19% realizing ROI within three months and 27% within six to twelve months. ([itpro.com](https://www.itpro.com/technology/artificial-intelligence/ai-adoption-is-finally-driving-roi-for-b2b-teams-in-the-uk-and-eu?utm_source=openai))
7. <https://www.reuters.com/world/china/eu-rolls-out-11-billion-plan-ramp-up-ai-key-industries-amid-sovereignty-drive-2025-10-08/> - The European Commission has launched a €1 billion ($1.1 billion) initiative to enhance the deployment of artificial intelligence (AI) in key industries, aiming to reduce the European Union’s dependence on U.S. and Chinese technologies. This initiative, called the 'Apply AI' strategy, builds upon an action plan introduced in April that aims to ease regulatory and financial challenges for startups adhering to the EU’s AI laws, which came into effect in August 2024. Commission President Ursula von der Leyen emphasized that AI must be developed and adopted within Europe to ensure strategic autonomy. The strategy targets sectors including healthcare, energy, automotive, pharmaceuticals, manufacturing, and defense. Specific projects include AI screening centers in healthcare and agentic AI in manufacturing and climate science. The funding will be sourced from EU programs like Horizon Europe and Digital Europe, with the potential for additional support from national governments and private investors. This plan reinforces the EU’s commitment to leading in technological innovation while safeguarding its economic independence. ([reuters.com](https://www.reuters.com/world/china/eu-rolls-out-11-billion-plan-ramp-up-ai-key-industries-amid-sovereignty-drive-2025-10-08/?utm_source=openai))