

THE STATE OF COMPETITION IN THE AI STACK

TSE hosted the 18th edition of its Digital Economics Conference on January 8-9, 2026, in Toulouse, featuring a roundtable titled "Is there enough competition in the AI stack? What (if anything) should be done about it?". During the discussion, participants shared their perspectives on this pressing issue, drawing from both their professional and personal experiences. The roundtable was chaired by Jacques Crémer (TSE) and brought together four experts from different fields: Adam Cohen (OpenAI), Francisco Enrique González-Díaz (Cleary Gottlieb Steen & Hamilton), Oliver Latham (Charles River Associates), and Rikke Riber Rasmussen (Google).

As Jacques Crémer noted, when the session was conceived last summer, a "clear panic" permeated the industry: a conviction that OpenAI would inevitably dominate the world and that competition was effectively dead. Yet, as the discussion unfolded, the narrative shifted from one of inevitable monopoly to a more nuanced, complex reality of a market that remains hyper contestable.

IS THERE ENOUGH COMPETITION? HOW DO WE EXPECT AI COMPANIES TO BE VALUED?

The first task is to develop a clear awareness of the competitive landscape in the market and to reconcile the astronomical valuations of AI companies with the actual state of competition.

Adam Cohen, joining via Zoom, argued that the future path of competition is difficult to predict. He highlighted that while large tech players currently dominate critical inputs (e.g., infrastructure, chips, and data), forcing new entrants into partnerships, firms like OpenAI are building independent capabilities to further competition. Furthermore, product distribution is of critical importance. Although the majority of users access OpenAI's services via chatbot interfaces, the company has successively introduced distinct products such as Sora and Atlas.

The interplay between AI products and platforms, coupled with the determinants of user adoption, remain open questions.

Rikke Riber Rasmussen described the current landscape not as a settled fiefdom, but as a very experimental phase where no winning business model has yet emerged. She argued that high valuations represent bets on a massive total addressable market rather than entrenched power, pointing to the rapid entry of competitors and the plummeting costs of production as evidence of a healthy ecosystem.

Oliver Latham provided a distinction between the current AI wave and the "Web 2.0" era. Unlike Google Search, which was cemented by zero consumer prices and powerful user-feedback loops, AI models currently face positive marginal costs and weaker network effects. Latham offered a historical analogy: the current frenzy resembles the "Railway Mania" of the 19th century. Even if it proves to be a financial bubble where investors lose money, the resulting infrastructure, like the railways left behind for the public, will likely benefit consumers long-term.

Francisco Enrique González-Díaz added a legal dimension, framing the market is characterized by dynamic efficiencies and innovation rather than entrenched positions. He argued that high valuations reflect the temporary advantage gained through innovation, which is consistent with a competitive market, provided it is not entrenched by anti-competitive practices.

HOW SHOULD WE VIEW CROSS-INVESTMENTS BETWEEN MODEL PROVIDERS AND TRADITIONAL GIANTS?

While regulators often view such entanglements with suspicion, Latham argued they efficiently solve the "knowledge spillover" problem inherent in general purpose technologies, aligning incentives between innovation and infrastructure. Cohen admitted that for a new entrant, partnering with big tech is not a strategic choice but a survival necessity; the sheer capital required to replicate cloud infrastructure makes independent scaling nearly impossible.

When discussing data as the fuel for models, Cohen observed that the industry has effectively exhausted public web data. The competitive frontier is shifting toward scarce, proprietary data reservoirs. This transition suggests a future where competitive advantage hinges not just on algorithms, but on exclusive access to non-public information, potentially locking out entrants who lack these legacy data moats.

WOULD IT BE TOO EARLY FOR REGULATORS TO TAKE ACTION?

Enrique asserted that competition authorities should actively learn and seek to understand what is happening, and prudently consider whether intervention is necessary. He argued against applying DMA (Digital Markets Act) style ex-ante regulation to AI. Unlike established platforms, the AI sector has not yet been subject to antitrust intervention, and premature regulation could stifle innovation.

Latham suggested a "case-by-case" approach, and argued the potential absurdity of broad interoperability mandates. He noted that forcing a drop-down menu for every AI feature, such as a background remover in a camera app, would be impractical and degrade the user experience. He argued that as long as there is robust competition at the upstream model layer, downstream concerns about app distribution are significantly mitigated.

Cohen drew parallels to historical browser cases (Netscape), noting that bundling AI tools into existing dominant software remains a concern for standalone competitors. However, he distinguished between competition regulation and existential threat regulation, suggesting antitrust tools are not designed to solve safety issues.

Rasmussen urged regulators to rely on evidence rather than fear, warning that over-regulation could slow down the industry. She advocated for focusing on data portability and open standards rather than imposing restrictions based on uncertain future risks.

TO JOIN THIS COMPETITION, WHAT ROLE CAN EUROPE PLAY?

Cohen pointed to specific barriers in Europe, such as high energy prices and a copyright regime that is hostile to model training. He suggested that without changes to copyright laws to allow for fair use in training, frontier model development will continue to occur outside of Europe.

Latham argued that Europe's lack of AI dominance is due to broader structural issues: energy costs, capital markets, and fragmentation, rather than specific AI policy failures. He recommended a horizontal industrial policy and focusing on complementarities where Europe has strength, such as nuclear energy to power AI data centers.

Enrique cautioned that if Europe continues its trend of hyper regulation while the US and China sprint ahead, we risk cementing a "two-speed world". In this scenario, Europe would become a market for second or third-class products, receiving degraded versions of technology only after they have been sanitized for compliance, while the true cutting-edge innovation remains permanently out of reach.