

OECD Competition Committee

Artificial Intelligence, Data and Competition

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It is still difficult at this stage to fully assess competition in AI and, particularly, what will be the landscape in the future.

However, based on recent developments and on what we have learned from digital markets, we can already have some pointers on what to expect.

And this is precisely what the AdC has done in its Issues Paper published in November addressing competition issues in Generative AI.

The Issues Paper maps the key determinants that affect the competitive process and anticipates the risks to competition in the Generative AI sector.

As alluded by the Chair, we have also focused on the importance of competition as a driver of innovation, considering that competition is a crucial tool to fully realise the potential of generative AI.

Let me expand on these points.

Importance of competition to drive innovation

I will start with innovation.

Generative AI is a textbook case of disruptive innovation.

Since late 2022, digital markets are undergoing a major upheaval.

And the technology is still rapidly advancing.

In our Issues Paper, we mention how the integration of generative AI in production and innovation processes can have a significant impact on the economy.

It is estimated that Generative AI may add up to 7% to world GDP in the next decade.¹

Also, Generative AI is expected to be prevalent in most companies and it is desirable that a broad range of companies actually have access to it.

In this context, we find there is a significant potential for innovation in generative AI because it can be tailored to a broad scope of applications.

This includes areas such as customer support, data analysis, education, academic research, drug discovery and entertainment.

As we know, a competitive and contestable environment fosters innovation in the long run, not only by incumbents, but also making sure that players with innovative products or more efficient services may enter and expand in the market, benefitting consumers and the economy.

Therefore, competition, as a driver of innovation, will be crucial to fully realise the opportunities and the disruptive potential of Generative AI.

Risks to competition

In this scenario, our Issues Paper highlights three main challenges and risks of artificial intelligence for competition:

First, the need for significant computing resources and for wide experimentation along with the relevance of user generated data will likely represent key barriers to entry and expansion.

¹ 1 Goldman Sachs (2023), "Generative AI could raise global GDP by 7%": <https://www.goldmansachs.com/intelligence/pages/generative-ai-could-raise-global-gdp-by-7-percent.html>.

The access to these key inputs, namely computing power, data and know-how, can be relevant sources of market power, raising competition concerns.

Second, incumbents may benefit from their existing position.

Some players may, for example, hold access to better datasets and leverage those as training data to develop artificial intelligence models that others cannot replicate.

Players may also quickly start their foothold in artificial intelligence by tying their existing services, where they hold a strong position, with artificial intelligence services.

If this effect dominates, even with the disruption of AI, the digital market landscape may not change much.

Third, in ecosystems of generative AI, the developer of the base model may have a significant advantage.

Indeed, foundation models are at the heart of generative AI.

They are general and can then be further adapted and tweaked to specific tasks downstream.

So, different AI services built from the same foundation model may coexist.

Nevertheless, the developer of the upstream AI models may have incentives to use its position to thwart competition downstream.

Conclusion: seizing the moment of innovation: the role of competition policy

All in all, we find there is now a tremendous opportunity for contestability in digital markets, as generative artificial intelligence can affect every facet of the digital economy.

However, generative AI seems to be a poster child for all the challenges digital markets pose to competition.

Competition enforcers must thus remain vigilant and active to keep the pace of innovation.

As such, we want firms to experiment new ideas, business models and applications of a technology.

Our goal is to remove their barriers to do so, so they have the incentives and means to innovate

The sector is new, so it is important that competition is right from the get-go to the benefit of consumers and the economy.

Thank you.