Digital Competition Outlook

2025/2026

Priority topics in digital and competition policy in Europe and the United Kingdom over the coming year.

Artificial Intelligence

Digital Competition Regimes

Digital Mergers

Competitiveness

DIGITAL COMPETITION
DR. CHRISTOPHE CARUGATI
OPEN DIGITAL AND COMPETITION POLICIES FOR BETTER INNOVATION

Dr. Christophe Carugati, September 2025

Introduction

The year 2025-2026 will be pivotal in four priority areas: artificial Intelligence (AI), digital competition regimes, digital mergers, and competitiveness.

The *Digital Competition Outlook* provides insights into the key market and regulatory developments that are expected to shape priority topics in digital and competition policy in Europe and the United Kingdom over the coming year. It is designed to help government agencies, tech companies, and law firms prepare and navigate these new and complex issues.

Drawing on market and regulatory intelligence, the *Outlook* identifies 2025–2026 as pivotal years in four priority areas: **artificial intelligence (AI), digital competition regimes, digital mergers, and competitiveness.**

Technological advances in AI will continue to reshape digital markets. Rapid market developments in AI agents, web browsers, search engines, and cloud computing are driving innovation and competition, while also giving rise to emerging competition concerns.

In the field of digital competition regimes, jurisdictions will need to ensure consistent opportunities for stakeholders while avoiding disproportionate regulatory burdens on designated large online platforms. In Europe, the Commission is already reviewing the Digital Markets Act (DMA) two years after its enforcement began. In the United Kingdom, the Competition and Markets Authority is conducting market investigations to designate firms under its new regime. At the same time, several EU Member States have launched investigations that overlap with the DMA, underscoring the need for greater coherence within the internal market. Globally, as more jurisdictions adopt or propose digital competition regimes, fostering international alignment will be critical.

In digital mergers, competition authorities are adapting merger policies for the digital age. In Europe, the Commission is reviewing the EU Merger Guidelines, with plans to update the analytical framework for digital mergers. Several Member States, alongside the Commission, are exploring new tools to review below-threshold mergers, particularly in the digital sector, where targets often have little or no turnover. Authorities are also closely monitoring AI partnerships between developers and other industries, as well as "acqui-hire" transactions in which a company acquires staff and gains non-exclusive licences to use their IP technologies.

Finally, Europe aims to strengthen its European digital economy. This will require completing the Digital Single Market, removing barriers to harnessing data and digital technologies, and accelerating the adoption of AI.

Each of these four areas is explored in a dedicated two-page chapter, providing an overview of the issues and highlighting the main policy challenges. They serve as a basis for deeper analysis in future work and collaborations. The author is available to discuss and present the *Outlook* to interested parties.

Artificial Intelligence (AI) is reshaping digital markets at an unprecedented pace. Since the public launch of OpenAI's ChatGPT in November 2022, the tech sector has witnessed a wave of innovation, with new products and services disrupting or redefining existing digital markets. In particular, AI agents, web browsers, search engines, and cloud computing are attracting significant investment and competition from both established platforms and new entrants. This chapter provides a brief overview of these evolving markets.

AI Agents

AI agents are algorithmic systems capable of autonomously performing tasks on behalf of users or other systems, with minimal human intervention or oversight. These agents can operate across both online and offline environments and may ultimately disintermediate traditional digital platforms. Although the technology is still in its early stages, it already raises significant competition concerns. **These include risks of input and distribution foreclosure by dominant platforms, potential exploitation or foreclosure by dominant AI agents themselves, and the possibility of tacit collusion among AI systems[1].**

Web Browsers

Web browsers are the primary gateway to the internet. While traditional browsers are now integrating AI features, a new generation of browsers from companies like OpenAI and Perplexity is emerging[2]. Developers, including Microsoft, are also working toward an entirely new web architecture that would allow AI agents to interact seamlessly with websites and other agents[3]. **These developments may transform the web browser market and could have far-reaching implications for the economics of the web.**

[1] Stefan Hunt et al., Will 2025 be the Year of the Agent? A Primer for Competition Practitioners on the Next Wave of AI Innovation, *Competition Law and Policy Debate*, 2025 (accessed 11 August 2025). Available at: https://www.elgaronline.com/view/journals/clpd/9/1/article-p20.xml

[2] Kenrick Cai, Krystal Hu and Anna Tong, Exclusive: OpenAI to Release Web Browser in Challenge to Google Chrome, *Reuters*, 10 July 2025 (accessed 6 August 2025). Available at: https://www.reuters.com/business/media-telecom/openai-release-web-browser-challenge-google-chrome-2025-07-09/

[3] Frank X. Shaw, Microsoft Build 2025: The Age of AI Agents and Building the Open Agentic Web, *Microsoft Blog*, 19 May 2025 (accessed 6 August 2025). Available at: https://blogs.microsoft.com/blog/2025/05/19/microsoft-build-2025-the-age-of-ai-agents-and-building-the-open-agentic-web/

Search Engines

AI is also redefining how users search for information online. Increasingly, users seek direct answers rather than a list of search links. In response, established search engines like Google and Microsoft are incorporating AI functionalities to deliver more accurate answers. Simultaneously, AI developers such as OpenAI and Anthropic are incorporating real-time search capabilities into their AI systems to ensure that responses are up-to-date. These shifts have triggered competition concerns, particularly among content publishers, who fear declining web traffic if users no longer click through to original sources[4]. **Regulatory interventions have already been initiated in jurisdictions such as the United Kingdom and South Africa[5].**

Cloud Computing

The development and deployment of AI models rely heavily on cloud infrastructure and services. Major cloud providers offer computational resources, such as Graphics Processing Units (GPUs) and data storage, as well as development platforms, that enable AI companies to scale their operations efficiently on demand. In this landscape, incumbents are partnering with AI developers, investing in custom AI chips and launching new Model-as-a-Service (MaaS) offerings that allow developers to access models. At the same time, alternative cloud providers are entering the market by offering infrastructure for accelerated computing. Developers increasingly have the option to access models directly from AI developers or model repositories and can run applications on devices without cloud support. **While AI has not yet had a significant impact on competition in cloud services, the UK's Competition and Markets Authority (CMA) expects that such impacts are likely to materialise in the near future[6].**

[4] Michael Savage, AI Summaries Cause 'Devastating' Drop in Audiences, Online News Media Told, *The Guardian*, 24 July 2025 (accessed 6 August 2025). Available at: https://www.theguardian.com/technology/2025/jul/24/ai-summaries-causing-devastating-drop-in-online-news-audiences-study-finds

[5] Competition Commission South Africa, Media and Digital Platforms Market Inquiry Provisional Report, February 2025 (accessed 3 July 2025). Available at: https://www.compcom.co.za/wp-content/uploads/2025/02/CC_MDPMI-Provisional-Report_Non-Confidential-Final.pdf

[6] Competition and Markets Authority, Cloud Infrastructure Services Final Decision Report, 31 July 2025 (accessed 6 August 2025). Available at: https://assets.publishing.service.gov.uk/media/688b8891fdde2b8f73469544/final_decision_report.pdf

Across the globe, jurisdictions have proposed or adopted digital competition regimes that impose obligations on large online platforms to regulate their business practices. These frameworks aim to open new opportunities for businesses and end-users to develop and access innovative services and products. While jurisdictions are at different stages of implementation, ranging from development (e.g. Australia), implementation (e.g., in the UK), to enforcement (e.g. the EU), they share the same goal of promoting competition in digital markets. This chapter offers an overview of recent regulatory developments.

European Digital Markets Act (DMA)

Since 2023, the European Commission, acting as the sole enforcer, has implemented the DMA against seven designated firms that provide Core Platform Services (CPSs)[7]. Enforcement has involved regulatory dialogue, specification decisions, and investigations into non-compliance. As part of the DMA's first formal review, the Commission has launched a public consultation, open until 24 September 2025, to gather stakeholder feedback on key aspects, including the current list of CPSs, the scope and effectiveness of the obligations, enforcement practices, procedural rules, and the DMA's broader impact on businesses and end users[8]. **This review could lead to legislative changes aimed at improving and future-proofing the DMA, particularly in light of emerging developments, such as AI[9].**

UK Digital Markets, Competition and Consumers Act (DMCCA)

Since 2025, the CMA has been empowered to enforce the DMCCA. It has already initiated three designation investigations, targeting Apple and Google, and published roadmaps outlining potential regulatory interventions[10]. These roadmaps aim to provide clarity around possible

[7] For a tracker of the DMA, *see* Christophe Carugati, European Digital Competition Regime, *Digital Competition* (accessed 6 August 2025). Available at: https://www.digital-competition.com/europeandigitalcompetitionregime

[8] European Commission, Consultation on the First Review of the Digital Markets Act, 3 July 2025 (accessed 15 July 2025). Available at: https://digital-markets-act.ec.europa.eu/consultation-first-review-digital-markets-act-2025-07-03_en

[9] Christophe Carugati, The Limits and Promises of the Digital Markets Act Review, *Digital Competition* (accessed 6 August 2025). Available at: https://www.digital-competition.com/comment/the-limits-and-promises-of-the-digital-markets-act-review

[10] For a tracker of the DMCCA, *see* Christophe Carugati, UK Digital Competition Regime, *Digital Competition* (accessed 6 August 2025). Available at: https://www.digital-competition.com/ukdigitalcompetitionregime

conduct requirements and pro-competitive measures. In parallel, it invites stakeholder input on both the proposed designation decisions and roadmaps. **This process enables stakeholders to actively shape the future direction of the regime.**

Coherence Within the EU Internal Market

The DMA applies alongside both EU and national competition laws. To ensure consistent enforcement and avoid regulatory fragmentation, Member States, including national authorities and courts, must cooperate through mechanisms and forums defined in the DMA. National competition authorities (NCAs) have already opened investigations that intersect with DMA obligations[11]. These overlapping cases will provide important guidance on how the Commission and Member States manage regulatory interplay. **The ongoing DMA review provides a timely opportunity for stakeholders to offer suggestions for enhancing coherence and legal certainty across jurisdictions and regulatory regimes.**

Fostering International Consistency

Globally, authorities are monitoring each other's approaches closely to ensure coherence. For example, the UK's CMA has explicitly noted in its roadmaps that some potential interventions will take into account international developments, and that it will intervene when it is best placed to do so[12]. In Australia, the government has positioned itself as a "fast-follower" by notably proposing mechanisms for mutual recognition of compliance[13]. **These developments raise important questions about how competition authorities can maintain coherence while respecting jurisdictional differences.**

[11] For instance, in Germany, the German Competition Authority committed with Google to extend the DMA data processing obligation to services not covered under the DMA. *See*, Bundeskartellamt, Bundeskartellamt Gives Users of Google Services Better Control Over Their Data, 5 October 2023 (accessed 6 August 2025). Available at: https://www.bundeskartellamt.de/SharedDocs/Meldung/EN/Pressemitteilungen/2023/05_10_2023_Google_Data.html;jsessionid=B596200F4514AE3E530BB1ED40816B6E.2_cid508?nn=3591568

[12] For instance, *see* CMA, Strategic Market Status Investigation into Google's General Search Services Roadmap of Possible Measures to Improve Competition In Search, 24 June 2025 (accessed 6 August 2025). Available at: https://assets.publishing.service.gov.uk/media/6859810eeaa6f6419fade671/Roadmap_.pdf

[13] Christophe Carugati, Fast-Follower Digital Competition Regimes: Leveraging Lessons from First Movers, *Digital Competition*, 17 January 2025 (accessed 6 August 2025). Available at: https://www.digital-competition.com/comment/fast-follower-digital-competition-regimes%3A-leveraging-lessons-from-first-movers

Competition authorities have been closely monitoring mergers in the digital sector. Drawing on lessons from past cases, they are now adapting their merger control frameworks to remain fit for purpose in the digital age, particularly in light of the rapid development of AI. This chapter outlines the main challenges and recent regulatory initiatives.

EU Merger Guidelines

In May 2025, the European Commission launched a public consultation, open until 3 September 2025, to update its merger guidelines[14]. A key focus is digitalisation, with the Commission intending to integrate its analytical framework for digital mergers. This includes considerations of data (e.g., *Apple/Shazam*), privacy (e.g., *Microsoft/LinkedIn*), interoperability (e.g., *Google/Fitbit*), and ecosystems (e.g., *Booking/eTraveli*). **The consultation offers stakeholders the opportunity to suggest improvements that enhance the framework and align it with other relevant instruments, such as the DMA.**

Below-threshold Mergers

Digital mergers often fall outside existing notification thresholds, limiting authorities' ability to review them. In response, several jurisdictions have revised their rules. For example, the French Competition Authority is considering a call-in power to review deals that fall below its national thresholds. At the EU level, following the *Illumina* judgment, the Commission is considering new policy options, as it can only accept referrals from Member States where the transaction falls under their thresholds[15]. The DMA review may also assess how the obligation to report all intended digital acquisitions interacts with the European Merger Regulation (EUMR). **These reforms will shape the scope of future merger scrutiny, providing stakeholders with the opportunity to weigh in on the development of appropriate mechanisms.**

[14] European Commission, Review of the Merger Guidelines (accessed 6 August 2025). Available at: https://competition-policy.ec.europa.eu/mergers/review-merger-guidelines_en

[15] Christophe Carugati, How Should Europe Revamp Merger Policy for Non-Notifiable Deals?, *Digital Competition*, 24 September 2024 (accessed 6 August 2025). Available at: https://www.digital-competition.com/comment/how-should-europe-revamp-merger-policy-for-non-notifiable-deals%3F

AI Partnerships

AI developers often partner with cloud providers, telecom operators, hardware manufacturers, and publishers to develop and deploy models. **These partnerships are under increasing scrutiny from competition authorities via merger and antitrust investigations[16].** Although no anticompetitive concerns have yet been identified, such arrangements are expected to influence merger control debates, as they often fall below the relevant thresholds. Authorities may also evaluate them through a strategic lens, particularly in terms of access to essential inputs such as energy. For example, the French Competition Authority has announced plans to study energy access issues in the AI sector[17]. This occurs at a time when some AI developers abroad have begun partnering with energy providers to secure their supply[18].

Acqui-hires

Tech companies are increasingly acquiring AI firms primarily to gain access to their talent (so-called "acqui-hires"), sometimes coupled with non-exclusive licenses to use their technologies. While some of these deals have been reviewed under merger rules, competition authorities have not found them problematic so far[19]. However, the trend raises concerns, particularly if such transactions eliminate potential rivals or raise barriers for AI firms trying to attract skilled developers. **As these acquisitions grow in scale and number, they are likely to face increased scrutiny from regulators.**

---

[16] Christophe Carugati and Nicole Kar, Assessing the Competitive Dynamics of AI Partnerships, *Competition Law and Policy Debate*, 17 March 2025 (accessed 7 August 2025). Available at: https://www.elgaronline.com/view/journals/clpd/9/1/article-p3.xml

[17] Autorité de la concurrence, Roadmap 2025/2026 (accessed 7 August 2025). Available at: https://www.autoritedelaconcurrence.fr/sites/default/files/2025-07/ADLC%20feuille%20de%20route%202025-26-EN.pdf

[18] Meta and Constellation Partner on Clean Energy Project, *Meta Blog*, 3 June 2025 (accessed 7 August 2025). Available at: https://about.fb.com/news/2025/06/meta-constellation-partner-clean-energy-project/

[19] For example, in the UK, the CMA has reviewed the *Microsoft/inflection.AI* partnership. *See*, CMA, *Microsoft/Inflection* inquiry (accessed 7 August 2025). Available at: https://www.gov.uk/cma-cases/microsoft-slash-inflection-ai-inquiry

Enhancing Europe's competitiveness is a priority for the European Commission. The Draghi Report on the Future of European Competitiveness and the Letta Report on the Single Market both underline that Europe continues to lag behind in the digital economy, a gap partly attributable to the incomplete Digital Single Market (DSM). This chapter examines the primary levers available to promote the European digital economy.

Complete the DSM

A decade after the DSM strategy was launched, its completion remains unfinished. The EU has made progress through a series of harmonising regulations, covering data protection, consumer rights, competition, online safety, cybersecurity, and artificial intelligence, yet implementation and enforcement have often been uneven across Member States and regulatory regimes. This inconsistency has fuelled market fragmentation and increased compliance burdens for European companies. As a result, firms are unable to fully leverage the scale benefits of a truly unified EU market[20]. **As the Commission prepares the Digital Omnibus simplification package, expected in late 2025[21], stakeholders will have a crucial opportunity to present evidence-based proposals to close the gaps and strengthen regulatory consistency.**

Harness Data and Digital Technologies

The EU already has a regulatory framework in place to improve data access and sharing, including the Data Act, the Data Governance Act, and the Digital Market Act. However, legal barriers remain. For instance, AI developers face legal uncertainty over the use of personal and copyrighted data for model training. This uncertainty slows innovation and weakens Europe's competitive edge in AI. **As the EU continues to propose regulations, such as on**

[20] Christophe Carugati, Europe's Progress in the Digital Single Market: A Proposal for Consistency, *Digital Competition*, 17 February 2025 (accessed 8 August 2025). Available at: https://www.digital-competition.com/comment/europe-progress-in-the-digital-single-market-a-proposal-for-consistency

[21] Lucas Bertuzzi, European Commission's Proposal for Digital Amendments Due on Dec. 10, *Mlex*, 11 June 2025 (accessed 8 August 2025). Available at: https://www.mlex.com/mlex/articles/2352150/european-commission-s-proposal-for-digital-amendments-due-on-dec-10

copyright[22] and data access rules[23], the debate will intensify on how to ensure the regulatory environment is both pro-competitive and pro-innovative, enabling firms to fully harness the potential of data and digital technologies.

Promote AI Adoption

AI has the potential to be a major driver of European economic growth, but only if adoption accelerates. In 2025, only 18% of European firms reported using AI, far short of the 2030 target of 75%[24]. While the EU has proposed several initiatives, such as the AI Continent Action Plan, the challenge now is to translate them into concrete policy frameworks and to ensure their effective implementation[25]. **Bridging the adoption gap will be critical to realising the economic promise of AI and ensuring Europe's competitiveness on the global stage.**

[22] Draft Report on Copyright and Generative Artificial Intelligence - Opportunities and Challenges (2025/2058(INI)), *European Parliament*, 27 June 2025 (accessed 8 August 2025). Available at: https://www.europarl.europa.eu/doceo/document/JURI-PR-775433_EN.html

[23] European Commission, European Data Union Strategy (accessed 8 August 2025). Available at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14541-European-Data-Union-Strategy_en

[24] European Commission, State of the Digital Decade 2025 report, 2025 (accessed 11 August 2025). Available at: https://digital-strategy.ec.europa.eu/en/library/state-digital-decade-2025-report

[25] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions State of the Digital Decade 2025: Keep Building The EU's Sovereignty and Digital Future, 16 June 2025 (Accessed 8 August 2025). Available At: https://digital-strategy.ec.europa.eu/en/library/state-digital-decade-2025-report

About

Digital Competition

Digital Competition (www.digital-competition.com) is a digital and competition expert services for businesses, law firms and government agencies, dedicated to promoting open digital and competition policies that foster innovation. Led by Dr. Christophe Carugati, a passionate and impartial expert in digital and competition policy, we bring together legal, economic, and policy expertise to deliver cutting-edge research, strategic advice, think tank initiatives, regulatory intelligence, tailored training, and high-impact conferences. Digital Competition is committed to addressing the most pressing challenges in the rapidly evolving digital and competition policy landscape. This Outlook was conducted independently and did not receive any funding.

This paper is part of our Digital Competition Regime Hub (www.digital-competition.com/digitalcompetitionregime). We provide research on the design, implementation, and enforcement of digital competition regimes worldwide.

Contact us for membership, service, or press inquiries.

Dr. Christophe Carugati

Dr. Christophe Carugati (christophe.carugati@digital-competition.com) is the founder of Digital Competition. He is a renowned and passionate expert on digital and competition issues with a strong reputation for doing impartial, high- quality research. After his PhD in law and economics on Big Data and Competition Law, he is an ex-affiliate fellow at the economic think-tank Bruegel and an ex-lecturer in competition law and economics at Lille University.