

On 1 August, the AI Act, the first artificial intelligence regulation, comes into force.

GVH Podcast - Dr. András Tóth: "Over-regulation of artificial intelligence could put Europe at a competitive disadvantage"

Budapest, 31 July 2024. – On 1 August, the European Union's regulation on artificial intelligence, known as the AI Act, will enter into force, to be applied gradually in stages, becoming mandatory from mid-2026. The aim of the regulation is to make the operation of AI more understandable and transparent for operators, but it also raises several other issues. Among other things, this is what Dr. András Tóth, Vice President of the Hungarian Competition Authority, talks about in the latest episode of the GVH Podcast. The Chairman of the GVH's Competition Council also raises the issue that over-regulation of artificial intelligence could put European businesses at a competitive disadvantage.

On 12 July 2024, the text of the AI Act, the world's first regulation to comprehensively regulate the operation of artificial intelligence (AI) solutions, was [published in the Official Journal of the European Union](#). The legislation will enter into force on 1 August, but it will be applied gradually after a transitional period of 24 months; it will become part of European and national legislation from mid-2026. The aim of the Regulation is to make the operation of AI more understandable and transparent, including the obligation to label manipulated content. The legislation adopts a risk-based approach and accordingly identifies several categories of AI systems, ranging from minimal to high risk. These classifications will oblige developers, manufacturers, and operators to apply the regulatory framework properly and to take the required safety measures. The complexity and comprehensiveness of the legislation is illustrated by the fact that the preamble alone consists of 180 paragraphs.

The Hungarian Competition Authority (GVH) is also actively addressing the issue of artificial intelligence. The GVH was one of the first EU competition authorities to launch [a market investigation](#) on the subject in early January 2024. The explosive growth, exponential development and accelerated market take-up of artificial intelligence has led to two main areas of concern, which are the focus of the GVH's investigators in the ongoing investigation.

- **AI-based technology could pose a threat to fair competition.** Artificial intelligence is currently considered a new and innovative technology, and its development requires huge resources. Only the biggest tech giants currently have the resources - and the technological expertise to facilitate development - to gain a significant competitive edge in the market. As a result, the practical application of AI could become the privilege of a narrow group of businesses, which could distort market competition in digital sectors in the future.
- **AI-based technology can make consumers more vulnerable.** There are many data collection and advertising practices in the digital space that can be dangerous for

consumers. By using artificial intelligence, businesses can take the collection and use of consumer data to a new level, as well as the use of "dark patterns" and personalised advertising. A notable example of this risk is the operation of chatbots, where the consumer is not aware whether the answer they receive from the AI is based on a credible source or the result of a paid promotion.

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Artificial intelligence is also the focus of the latest episode of the **GVH Podcast**, in which **Dr. András Tóth**, Vice President of the Hungarian Competition Authority and Chairman of the Competition Council of the GVH, talks in detail about why we perceive so much "hype" around artificial intelligence technologies and whether competition law as a field of law is able to keep up with the turbulent technological development.

In the discussion, András Tóth points out that after 2010, the process of artificial "datafication" has accelerated exponentially, and while it is still possible to opt out of it today, it will certainly be inevitable sooner or later. As he said, "*artificial intelligence technology has now been able to arrive in a way that is obvious to society*". This is mainly due to the rise of online platforms and the artificial 'datafication' process," he added. He said artificial intelligence is increasingly being seen as a regulatory issue, but "*the technology was not given to the world by lawyers*".

Regarding the AI Act, which will come into force on 1 August, András Tóth said that responses to technological developments, formulated with a legal approach, always raise the issue of limiting innovation. He also said that "*there are criticisms of the AI Act*". In the GVH Podcast, András Tóth said, "*It really seems that in the European Union, the law wants to dictate the framework within which you can innovate, and that takes the driving force out of development*".

András Tóth also pointed out that the EU is lagging far behind China and the United States in innovation in AI technologies. In addition, he said, "*the AI Act, according to the European Commission's own impact assessment, will increase compliance costs for European companies by around 20% and will cost the European economy around €30 billion by 2025*". András Tóth said, "*This will most certainly have a negative impact on the global competitiveness of European companies.*" The Chairman of the GVH's Competition Council also spoke in detail about the risks for consumers in the latest episode of the GVH Podcast.

The interview - alongside previous GVH podcasts - can be listened to (in Hungarian)

- on the website of the Hungarian Competition Authority:
<https://gvh.hu/sajtoszoba/gvh-podcast>,
- on the Youtube-channel of the GVH: https://youtu.be/-I9T93MQ_uo,
- on the Spotify-channel of the GVH:
<https://open.spotify.com/show/01iuQLMRYFUZIWmUYVgkW0>

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