

How Europe must respond to America's AI warning shot

NRC

The Trump administration's order that Anthropic block non-Americans from accessing Fable 5 and Mythos 5 marks the first time a government has forced a publicly released frontier artificial-intelligence model to be withdrawn. Europe must read it as a warning shot, fired early in a period of great technological upheaval, geopolitical hardening and a transformation that will fundamentally change how people live.

The answer is neither resignation nor retreat into protectionism. Rather, Europe must embark on the most ambitious political agenda ever attempted in peacetime.

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The continent should immediately create the market conditions for its own AI labs to start, scale and win, beginning with capital-market reforms that unlock massive funding, including by mobilising pension funds in large European economies.

However, building frontier models will take years and, no matter how ambitious the effort, may still not succeed. While supporting serious homegrown attempts to build frontier models, Europe must hedge against worlds where such attempts fail—by securing access to the frontier that already exists. That means treating access as something to be negotiated, and building the bargaining power to negotiate with. Three policy moves are urgent.

First, Europe should initiate a coalition of AI middle powers to increase collective leverage. Many countries individually control some part of the AI supply chain. The Netherlands is home to ASML, a lithography giant. South Korea produces high-bandwidth memory. Japan owns a significant share of semiconductor-manufacturing equipment. Canada, France and Norway have abundant energy. Germany has a wealth of industrial data. And Britain has a strong talent base and world-leading AI security expertise.

Alone, any single piece of leverage is fragile, since technological progress can make it redundant and American strength might dwarf it anyway. But acting together, AI middle powers can acquire a stronger negotiating position that can, in turn, be used to secure access to frontier AI systems.

Second, Europe should expand its share of compute. It hosts only 5% of global AI compute, whereas America has more than 75%. With ambitious reforms, European countries should aim to increase their share to 20% within five years. This means bringing tens of gigawatts of compute onto European soil. That will require dedicated economic zones with streamlined permitting for data centres and a big increase in energy-generation capacity.

It also requires sovereignty-as-interdependence, not sovereignty-as-autarky: European companies cannot build this all alone, given the scale of capital required and chip supply so tight it goes first to American buyers with confirmed orders. Governments should therefore make Europe the best place for American firms to build AI facilities, in return for robust frontier-AI access agreements to power cutting-edge science, cyber-defence and military capabilities.

Not all countries should engage in identical AI strategies; each must consider its comparative advantage. Britain should do more to draw world-leading AI talent to London and scale startups there. The Netherlands should focus on helping ASML to grow. For many, though, compute is a quick route to increased leverage.

Finally, Europe must preserve its market leverage by reforming its labour laws. The EU's strength has always rested on its market size. But rigid labour rules slow the adoption of new technology, exerting economic drag. Left unaddressed, the gap with the more dynamic American economy will sap Europe's market power and jeopardise the tax base that funds its welfare model.

Already, many firms are held back by labour laws that make change costly and slow. Transformative AI will only further punish Europe's lack of zip. A „flexicurity” model like Denmark's lets firms adopt new technologies while protecting the people they displace, through retraining and generous income support. Freezing today's jobs in place will see them and the companies behind them displaced by faster-moving rivals abroad.

These three reforms are necessary, but not sufficient. They are what Europe must do, not why people should want it. The hardest challenge for the continent cannot be legislated: developing a positive vision to rally society behind this transformation.

Data centres are power-hungry, create few jobs and host AI that brings disruption. Yet we must build them, or risk losing the ability to shape our own future. But a story about what Europe stands to lose will not carry an agenda this ambitious. Many voters already dislike AI, and won't endure years of disruption to avoid something they are told is merely worse.

To lead people through a journey this important, you have to tell them where it leads, and why. Europe has not yet found that story. It urgently needs to.

Nobody adopts AI for the sake of adopting AI. Europeans have hopes, dreams, ambitions in life. How can they be helped to achieve them? How can humanity be protected? How to tell it not just the story of jobs getting automated, but of jobs changing for the better and new opportunities being created?

In the end, AI must serve people. None of this should come at the cost of AI safety. Sovereignty is crucial precisely because a Europe with agency can help keep AI safe, and a weak one cannot.

The ban of Anthropic's cutting-edge models will be litigated, amended and perhaps withdrawn. But the dependency it exposed remains. Europe can decide to build a better future on this technology, or get left behind. It must act while it still can.