POLICY BRIEF

Through The Regulatory Fog:

How the EU's Digital Markets Act Is Harming Consumers and Innovators

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When the European Union officially rolled out the Digital Markets Act (DMA) back in May of 2023, Brussels promised a new dawn for the "digital sector." The narrative was simple: break the chokehold of American Big Tech "gatekeepers," level the playing field for homegrown startups, and give consumers more choice.

Fast forward to 2026, and the European Commission continues to pat itself on the back, claiming the DMA has successfully achieved its goals.

But if you look past the bureaucratic victory laps, the reality on the ground is different. For everyday European consumers, digital creators, and local retailers, the DMA has sparked the opposite of a tech renaissance. Instead, it has actively degraded the European online experience, leaving users with a fragmented, clunky, and less secure version of the internet compared to the rest of the world.

Europeans are searching longer to find useful results, losing access to features their peers in the United States freely enjoy, and watching innovators and startups get pummeled with burdensome regulations that severely limit entrepreneurs' ability to make a living by creating new technology.

The DMA Is Ruining the User Experience

The most immediate victims of the DMA are the very people it was supposed to protect: everyday users. What the authors of the DMA claim was designed to stop large platforms from favoring their own services actually forces companies to strip away the seamless integration between services that makes the internet convenient.

Because the DMA classifies Amazon as a "gatekeeper," the retailer is legally required to interrupt EU shoppers with a binary consent prompt asking permission to provide relevant, personalized ads based on their shopping and browsing history, a service four out of five Europeans have indicated they want. Years of reflexively dismissing cookie banners have trained users to decline consent screens without reading them, so a meaningful share of "no" answers reflect habit, not intent. When that happens, the customer doesn't get an ad-free experience; they get a less relevant one.

The cost to businesses also isn't evenly distributed. Sellers of niche or newly launched products depend most on personalization to surface in front of the narrow slice of shoppers who are most likely to value their product offering. Those shoppers are often already in the market for something similar, but haven't typed in the search terms that would find that specific product on their own. This prompt allows data to be used to surface relevant ads and products.

A rule meant to give consumers more control ends up, for a meaningful slice of misclicks, working against both the shoppers whom it was designed to protect and the smaller sellers that the DMA's broader competition goals were supposed to help — because absent that personalization signal, the default is a neutral surfacing of the most purchased products, leading to greater traffic to incumbents already dominant enough not to need the boost.

Another example is Google Maps. Previously, a single search for a restaurant or business allowed European users to click directly onto a map layout. To comply with the DMA's anti-preference rules, Google had to stop this automatic linking. Users across the EU now face multiple, unnecessary clicks just to find a destination, making the service fundamentally worse than it was before the DMA.

This "friction" is appearing everywhere. Two-thirds of Europeans who search online multiple times a day report that their searches now take longer. The same study highlights a measurable decline in service quality across the board:

- **39%** report a degradation in ad personalization.
- **35%** note a decline in map services.
- **33%** report less relevant search results.
- **31%** feel the sting of a total loss in service synchronization.

Forcing platforms to degrade the quality of their own services has the biggest impact on consumers' everyday lives. It makes tasks that are simple and effective in the U.S., like finding a grocery store in an area you're searching on Maps, a violation that carries large penalties. The DMA has a particularly harmful effect on small, local grocery stores in the EU, which have seen reduced online visibility as a result. Small grocers lack the same capability to invest in digital marketing and must rely almost entirely on free, organic search traffic to be visible. Large big box grocery chains are easier for consumers to find and can afford large-scale advertising, but small, family-run grocers depend on features like Google Search and Maps to let potential customers know they exist. The comparison-shopping services that led antitrust complaints against Google now compete against retail businesses for regulatory favor in determining how research results will appear.

Furthermore, the DMA's strict prohibition on combining data across different services from the same company has severely crippled professional networking. Microsoft can no longer automatically integrate user activity across LinkedIn Jobs, Marketing Solutions, and Learning without having to display annoying, explicit consent banners — again, which most users quickly click "no" on to get back to their task, unknowingly complicating their search. In fact, a quarter of working Europeans now find it more difficult to secure relevant job leads than they did in the pre-DMA era.

Retailers and Local Businesses Are Losing Traffic

The DMA didn't just break website features; it broke customer retention models for small businesses. Just three months after the DMA was implemented, research showed an alarming 30% decrease in clicks in EU markets, compared to markets outside EU jurisdiction.

For any business, but particularly small and local businesses, which the DMA was supposed to benefit, a 30% drop in digital traffic translates directly to lost revenue. By overcorrecting to ensure "fairness," the regulation has effectively hidden local businesses behind walls of compliance-driven layout changes. This significantly disadvantages small businesses that can't afford the high level of expensive advertising that an international chain can use to circumvent the lack of digital traffic.

The "Innovation Gap": Europe Is Being Left Behind

Perhaps the most tragic irony of the DMA is its impact on startups and cutting-edge tech deployment. Instead of fostering a wave of European champions, the regulatory environment has turned Europe into a digital dead zone for new feature rollouts.

Fifteen years ago, the EU's economy was over 10% larger than the U.S. economy. However, it is now over 20% smaller. Europe used to lead the world in all types of innovation, going back hundreds of years, but now it has stunted itself from being able to even compete. While the United States and China race for global dominance over technological innovation, none of the major tech companies are based in Europe. It's worth noting that Europe isn't just failing to keep pace with the U.S. — it's Chinese companies, not European ones, that are climbing the rankings and closing the gap. The EU and its member states continuously threaten, bully, and sue major American tech companies for billions of euros, threatening their presence in Europe, and presenting a clear warning to European innovators that the EU is not a friendly place to start a business.

Major tech companies are delaying — or entirely bypassing — the European market due to the very real threat of pervasive regulatory uncertainty. AI products from Meta, Apple, and Google have all faced temporary or indefinite delays in the EU. The DMA is the culprit.

For example, while Google's "AI Overviews" launched globally in May 2024, European users were left waiting until March 2025 to access it. Similarly, Apple issued public warnings that DMA compliance has delayed or denied EU citizens access to major practical features, such as:

- Apple Intelligence (their core AI ecosystem)
- Live Translation for AirPods
- iPhone-to-Mac screen mirroring

All of which make their users' lives easier.

The delayed EU rollout of Apple's Live Translation feature for AirPods illustrates a pattern of how the DMA inhibits the broader European economy from further economic growth and technological innovation. Live Translation on AirPods was delayed for users in the EU due to the additional engineering work needed to comply with the interoperability requirements of the DMA. The feature would need to work with wireless earbuds from other brands before Apple could share it with EU users. In practice, that meant the feature launched in the U.S. in 2025 but remained off limits to millions of European users for months — a delay experts say could affect productivity in sectors like tourism and business, where real-time, hands-free translation has obvious commercial value.

For a continent built on free movement and dozens of languages, being last in line for a tool designed to dissolve language barriers is more than a branding inconvenience: it slows adoption of AI-driven productivity tools compared to the U.S., U.K., and China, leaves European travelers, businesses, and service workers without technology that their global counterparts already have, and reinforces a perception that regulatory friction is making Europe a slower, less attractive market for cutting-edge consumer technology and innovation.

A Privacy Nightmare

When you force secure platforms to open up their systems to third parties, you aren't just opening the door for legal competitors — you are opening it for bad actors.

By forcing Google to allow external links within the Play Store without standard security checks, the European Commission is actively stripping away user protections.

The security risks run much deeper than app store scams, posing significant technical vulnerabilities, such as:

- **Expanding Attack Surfaces:** Forcing completely different messaging networks to connect and read each other's data creates major security holes. As Meta engineers have noted, when you open up a network, you lose control over data safety because, without total ownership of both messaging apps, a platform cannot guarantee how securely a third-party app handles private messages.
- **Weaker Encryption Standards:** To make distinct messaging services compatible, messages often have to be decrypted and re-encrypted as they move across different systems. This process strips away continuous "end-to-end" security, establishing fresh interception points that cybercriminals can exploit mid-transit.
- **Increasing Vulnerabilities:** Mandating open and heavily modified mobile operating systems risks giving unverified code low-level access to basic phone hardware. This exposes devices to Direct Memory Access attacks, where high-speed physical ports can bypass traditional security screens to directly pull passwords, personal information, or private encryption keys straight out of a phone's internal memory.

The Losers? Consumers and Innovators.

The fundamental flaw of the Digital Markets Act is that it prioritizes *static* competition over *dynamic* competition. It focuses intensely on businesses' revenue and number of users, rather than looking forward to the innovation-driven markets of tomorrow, like fintech, agentic commerce, and advanced AI.

By separating regulatory enforcement from actual economic analysis, the European Commission has created a regime that not only fails on paper but, most importantly, fails catastrophically in practice. EU consumers are left with slower searches, delayed technology, and heightened security risks, while EU hotels, restaurants, and retailers are left wondering where their digital foot traffic went. Industry voices have echoed these concerns directly: hotels and industry groups, including the German Hotel Association, have shared their concerns about further steps that would remove hotel features from Google Search, warning that stripping away these tools would be a step backward for the sector. The stakes are not abstract — in one test, hotels lost more than 10% of their traffic, affecting hundreds of thousands of European hotels, while traffic to intermediary sites largely stayed flat.

If Europe wants to remain a competitive force in the global tech economy, it must realize that real consumer protection shouldn't mean building a regulatory wall that keeps innovation out. The United States and China, though very differently, are both working hard to produce and improve innovative technology. The European Union cannot afford to continue to bury its head in the sand while the rest of the world competes and grows.