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The EU's Trillion Dollar Gap in ICT and Cloud Computing Capacities: The Case for a New Approach to Cloud Policy

By **Matthias Bauer** (*Director*), **Fredrik Erixon** (*Director*) and **Dyuti Pandya** (*Junior Analyst*)

Brussels, 28 May 2024 - The EU's inward-looking approach to cloud computing and data policies could stifle innovation and competitiveness by prioritising domestic players over global cloud capabilities. Discriminatory treatment of non-EU vendors would limit market diversity and hinder digital transformation, increasing costs and restricting growth. Instead, adopting a free trade approach to the cloud could stimulate investment, foster innovation, and enhance competition.

Some EU policymakers aim to build an independent ICT infrastructure, focusing on technological sovereignty and favouring localisation policies. However, the resources required for EU firms to scale up and compete with global leaders are quite huge. Such ambitions would inevitably drain other sectors of investment and human capital.

The investment gap between the EU and the US in ICT and cloud-related sectors is around USD 1.36 trillion. To bridge this gap, European tech companies would need to significantly increase their annual investments, which would require a substantial commitment of resources. Despite efforts like state aid for R&D in cloud and edge computing, the scale of investment needed far exceeds current levels.

A successful European cloud policy requires policies to encourage adoption and cross-border cloud integration in the EU, and increased investment in R&D. Policymakers should prioritise innovation and technological advancement over merely catching up on current technologies. The global cloud market is rapidly changing, leading to new services and competition. A future-oriented approach to cloud policy should foster competition, drive technological progress, and enable

interoperability, aligning with the dynamic nature of cloud services and global markets.

Matthias Bauer, co-author of the study, highlights that ***"for the EU to catch up with the projected US investments by 2030, 2040, and 2050, an exponentially increasing annual investment is required, which represents a substantial portion of the EU's GDP and total government spending pointing to a desperate resource constrained approach if the goal were to raise and shield national cloud champions."***

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Contact the corresponding author: Matthias Bauer, matthias.bauer@ecipe.org

Media inquiries: info@ecipe.org or +32 2 289 13 50