

June 3, 2025

European Commission

Written Evidence Submission on the European Union's Future Cloud and AI Policies

The [Center for Data Innovation](#) appreciates the opportunity to submit this response to the European Commission's consultation on its [future cloud and AI policies in the EU](#), which forms preparatory work for the Cloud and AI Development Act and a single EU-wide cloud policy for public administrations and public procurement.

The Center for Data Innovation studies the intersection of data, technology, and public policy. Its mission is to formulate and promote pragmatic public policies designed to maximise the benefits of data-driven innovation in the public and private sectors. It educates policymakers and the public about the opportunities and challenges associated with data, as well as technology trends such as open data, artificial intelligence, and the Internet of Things. The Center is part of the [Information Technology and Innovation Foundation \(ITIF\)](#), a nonprofit, nonpartisan think tank.

EXECUTIVE SUMMARY

The Center recognises the European Commission's concerns over EU computing capacity. Data centres play a key role in the acceleration of AI development and deployment—a significant factor of the EU's competitiveness strategy—to which the EU currently lacks. The Center also acknowledges the lack of competitive EU-based cloud computing services. It is critical that, in tackling both these issues, the EU avoids engaging in digital protectionism, which would harm European competitiveness further. Instead, the European Commission should:

1. Reform public procurement to prioritise performance and innovation whilst preserving open markets; and
2. Address barriers for cloud service providers to enable innovation-led cloud competitiveness.

REFORM PUBLIC PROCUREMENT TO PRIORITISE PERFORMANCE AND INNOVATION WHILST PRESERVING OPEN MARKETS

The EU should reform its public procurement frameworks to prioritise performance, innovation, and sustainability—while maintaining a firm commitment to open, competitive markets.

First, innovation should be embedded as a mandatory qualitative criterion in public tenders, with Member States retaining flexibility to define metrics that reflect their specific needs and policy priorities. At present, procurement decisions in many Member States overweight short-term price considerations, undervaluing innovation's role in boosting long-term public

service quality, resilience, and productivity. Rebalancing these incentives is essential for enabling a public sector capable of driving and showcasing Europe's digital transformation.

Second, the EU should reevaluate its "Buy European" mandate to prioritise best-in-class solutions that may come from non-EU firms. Approaches favouring local solutions that disregard quality risk undermining Europe's access to world-leading technologies, isolating EU markets, and reducing value for taxpayers. The Commission should not predicate best-in-class solutions on origin, though it should mark a clear distinction between solutions from allies, and solutions from strategic competitors such as China which do threaten European autonomy.

Public institutions—particularly those with limited budgets or capacity—should not be forced into choosing domestic suppliers when superior or more cost-effective alternatives exist. Strategic autonomy in this context means having the freedom to choose the best solutions that meet Europe's high standards on performance, security, and compliance. Preserving open procurement markets also ensures alignment with the World Trade Organisation's Government Procurement Agreement and Europe's broader trade commitments.¹

To enable smarter, innovation-friendly procurement, the EU should update its procurement directives and implementation guidance to allow for more flexible and forward-looking tools. This guidance includes wider use of pre-commercial procurement, outcome-based contracting, and streamlined procedures that reduce regulatory and administrative burden—especially for first-time bidders.

In tandem, the EU should identify and eliminate barriers that disproportionately impact domestic innovators, such as fragmented compliance obligations and high procedural complexity. The Commission should reintroduce a legislative proposal for a Common European Sales Law (CESL) which had been part of the dialogue of previous mandates.² A CESL would dramatically reduce barriers for SMEs to scale quickly across the EU, leveraging the full benefits of the single market that is currently distorted by sovereign approaches to commerce.

Ultimately, public procurement should be a catalyst for digital excellence, not a constraint on it. A coherent EU-wide approach that prioritises technological merit, maintains openness, and avoids fragmentation will help the EU build the high-performance digital infrastructure needed for AI, cloud, and other emerging technologies. This approach is key to achieving Europe's ambition of technological sovereignty—not through isolation or protectionism, but by fostering homegrown innovation alongside strategic cooperation with trusted partners like the United States.

By designing procurement frameworks around innovation and outcomes, the EU can unlock better services for citizens, support the emergence of European tech champions, and reinforce its position as a competitive and forward-looking digital economy.

¹ World Trade Organization, "Agreement on Government Procurement," accessed May 2025.

² European Union, "Proposal for a Regulation of the European Parliament and of The Council on a Common European Sales Law," 2011.

ADDRESS BARRIERS FOR CLOUD SERVICE PROVIDERS TO ENABLE INNOVATION-LED CLOUD COMPETITIVENESS

The EU should remove regulatory and operational barriers that disproportionately burden cloud service providers, enabling an open and innovation-driven cloud market that fosters competitiveness without resorting to digital protectionism. By embracing rather than restricting foreign and domestic providers alike, the EU can ensure access to the most advanced and cost-effective cloud technologies, which are essential for European businesses and public institutions to thrive in the global digital economy.

Currently, cloud providers face significant challenges in Europe, including data localisation requirements, fragmented compliance and certification processes, restrictions on cross-border data flows, and divergent national regulations. These barriers increase operational complexity and costs, reduce market flexibility, and slow down the adoption of innovative cloud solutions. For example, data sovereignty rules force providers to replicate infrastructure unnecessarily, while inconsistent national regulations create legal uncertainty that discourages private investment and innovation.

Whilst it is true that reliance on certain non-EU providers can create fundamental rights risks, the Commission should ensure it does not mistake its allies for strategic competitors such as China. To do so would leave Europeans worse off, with less performant solutions and a less competitive ecosystem.

In the first instance, the EU should remove barriers to natural, homegrown innovation rather than resort to distorting competition through protectionist measures. The Commission should include an explicit consideration for innovation with future regulatory impact assessments, as put forward by a judge of the Court of Justice of the EU, to ensure appropriate balance between risk prevention and innovation opportunity.³ Where markets are open and fair, innovation-led competition can flourish, including from both foreign and domestic competition. Indeed, evidence shows that increased import competition can drive an increase in absolute volume of innovation, including faster technological change, increased patenting, and more innovation-led productivity within the EU.⁴ This increase however is the result of both natural competition and ecosystems where businesses can innovate quickly, with few barriers and efficient regulatory compliance.

Addressing these barriers—data localisation laws, fragmented regulatory compliance, and restrictions on cross-border data flows—is crucial to unlocking a competitive cloud ecosystem that encourages technological innovation and efficient service delivery. Removing unnecessary restrictions will lower costs, increase interoperability, and enable providers, whether EU-based or foreign, to compete fairly based on the quality and price of their offerings. By rejecting protectionist measures, the EU can leverage global innovation leadership in cloud technology, stimulate economic growth, and better position itself as a digital powerhouse in the international arena.

³ Pēteris Zilgalvis, “The Need for an Innovation Principle in Regulatory Impact Assessment,” *Network Law Review*, Feb 3, 2025.

⁴ Nicholas Bloom et al, “Trade Induced Technical Change? The impact of Chinese Imports on Innovation, IT and Productivity,” *The Review of Economic Studies*, Sep 17, 2015.