

Amazon outage shows EU heads are still in the cloud

di Alan Beattie

If you were trying to check your bank balance, learn a foreign language or play games online on Monday, you were out of luck; when the Amazon Web Services (AWS) cloud computing service went down for several hours it apparently took apps like Duolingo and Roblox with it. In the event the outage was a technical glitch which was fixed quite quickly. Certainly one barometer of global economic risk, the equity markets, was unmoved.

But it did emphasise how the big data companies have become chokepoints for global commerce. Accidents can be fixed, but imagine how such conduits could be manipulated against economic or political rivals by a rogue actor. Someone, in fact, like Donald Trump.

The US ordering its companies to restrict data access for whole sectors or foreign economies would be extraordinary, but not impossible under a president who apparently regards the US tech sector as an extension of his administration and may grow weary of playing with goods tariffs.

In cloud services, as with other network technologies like internet satellites, other big economic powers are rushing to build resilience to US hostility. As usual the most salient case is the EU, whose pursuit of “strategic autonomy” is hampered by a failure to co-ordinate and a reliance on regulation rather than hard cash.

The US has established a lead in cloud services through private sector innovation. But competition has begotten companies with massive market power. AWS, Microsoft’s Azure and Google Cloud between them control nearly two-thirds of global capacity in cloud services, according to the research group Synergy. Typically, China has responded with a domestic industry built using vast state sponsorship and largely closed to outsiders.

Australia, by contrast, has gone all in with its close security ally, the US, its government partnering with AWS to create a “Top Secret Cloud”. The EU response hangs in the balance.

Brussels is also scared of conflict with Trump. As with its reliance on US security protection against Russia, the EU has become comfortable using US cloud services and put off building its own. Europe lacks world-class cloud companies. Synergy says the EU market for cloud services has doubled in size since 2021, from around €30bn a year to around €60bn, but European cloud providers’ share has remained steady at around 15 per cent.

The EU is having to adapt a familiar tactic in managing its internal market. Rather than throwing around large subsidies, which it generally can’t afford on a bloc-wide level, the EU habitually uses

the lure of access to its consumer base to regulate competition and supply from domestic and foreign companies alike. But the security problems attendant on relying on US-headquartered suppliers means that's not the right model for cloud services.

For their part, US tech companies have been emphasising their reliability. AWS has ostentatiously set up an armslength "European sovereign cloud", run by units incorporated in Europe and a management team comprising EU citizens living in the EU. Yet the US Cloud Act, which gives the US government broad powers over data providers, may still reach into EU jurisdictions. And whatever the law or US courts say, Trump threatening American executives could undoubtedly affect their global decisions.

One idea would be for the EU to use licensing-type regulation to restrict access for suppliers who might pose a high risk, not dissimilar to the way EU governments vet suppliers of 5G mobile networks. In the case of cloud services, this may constrain the involvement of US as well as Chinese providers.

Implementing any idea like this would not only require the political courage to defy Trump but bearing the financial and environmental burdens of expanding domestic cloud services. The Dutch parliament and government, for example, have been at the forefront in urging the EU to reduce reliance on US providers. But the country has also had a succession of restrictions and moratoria on building data centres, particularly in Amsterdam, given concerns about their power and water usage. In geopolitical issue after issue — sanctioning Russia, defending Ukraine, securing supplies of critical raw materials — the EU has largely failed to co-ordinate and summon up the necessary political will. The likelihood that Trump will weaponise the US cloud services may not be huge, but the costs if he does are potentially catastrophic. If the EU wants to Trump-proof its economy and become a strategic power, it needs to act more like one.