

CLOUD AND AI DEVELOPMENT ACT (CADA)

CADA's Asymmetric Penalty for Digital Frontrunners

The Cloud and AI Development Act (CADA) does not impact Europe equally. CADA's 'sovereignty' framework will cause highly asymmetrical pain across the European Union, with ECIPE data revealing that these exclusionary requirements directly punish open, highly digitised Member States, while insulating larger and more protectionist economies.

Rather than bolstering European resilience, CADA's current design operates as an asymmetric economic penalty that benefits dominant regional cloud vendors at the expense of smaller Member States, risking further fragmentation of the Single Market.

The structural disparity divide

PROTECTIONIST INSULATION

Larger economies and those with pre-existing national sovereignty regimes absorb lower incremental shocks.

France €534 Germany €396 Spain €500
Italy €519

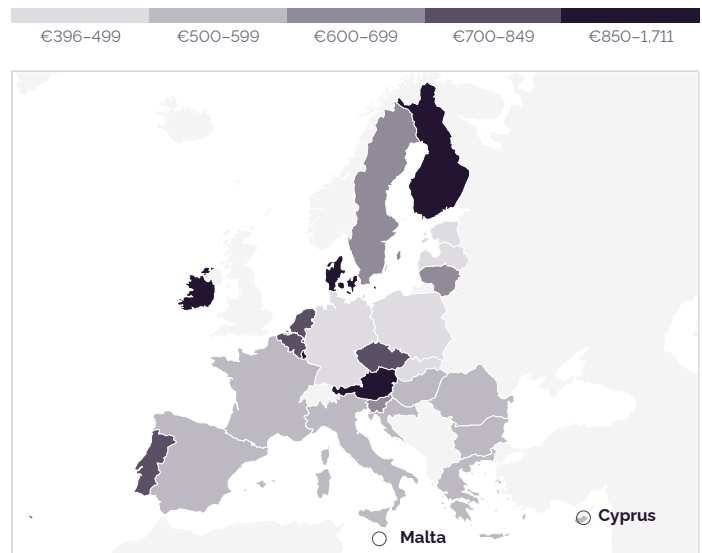
DIGITAL FRONTRUNNER PENALTY

Open, digitised economies that are part of global software architectures receive a massive regulatory shock.

Luxembourg €1,711 Denmark €905 Austria €900
Finland €864 Ireland €856 Netherlands €762

BEYOND COUNTRY SIZE: COMPARING COST PER WORKER

€ per worker, 10-year total, Medium scenario



Per-worker figures divide total modelled 10-year economic exposure by the 2025 resident labour force aged 20–64, including employed and unemployed persons. They do not represent individual tax liabilities.

Who pays the price?

EU27 AVERAGE

€548

The EU27 average cost of CADA's sovereignty requirements per worker.

However, when we divide that 10-year total bill across each national economy by the working-age labour force, the disparity becomes glaring.

Indeed, Member States without pre-existing sovereignty restrictions are the ones that face massive, net-new regulatory impacts in particular.

- Their open public and private digital sectors rely heavily on global cloud infrastructure and international software inputs.
- CADA's compliance requirements, software rewriting expenses, and public-sector transition delays lead to substantial shocks across these open economies.

CADA-related reallocations of capital and labour towards compliant infrastructure also affect wider economic activity.

Under the Medium scenario, real GDP is estimated to be **0.54%** below the no-CADA baseline in Cyprus, **0.14%** in Ireland and **0.046%** across the EU27.

Beyond country size: comparing cost per worker

To compare national impacts fairly across economies of different sizes, this table divides each Member State's 10-year total economic bill (under the ECIPE study's conservative Medium scenario, covering both the public and private essential-sector impacts of CADA) by its working-age labour force.

RANK	MEMBER STATE	€ PER WORKER
1	Luxembourg	€1,711
2	Denmark	€905
3	Austria	€900
4	Finland	€864
5	Ireland	€856
6	The Netherlands	€762
7	Portugal	€756
8	Belgium	€709
9	Czechia	€706
10	Slovenia	€682
11	Sweden	€681
12	Lithuania	€620
EU27 average		€548
13	Hungary	€542
14	France	€534
15	Romania	€527
16	Italy	€519
17	Malta	€518
18	Greece	€517
19	Bulgaria	€509
20	Cyprus	€508
21	Croatia	€507
22	Spain	€500
23	Latvia	€495
24	Poland	€494
25	Estonia	€461
26	Slovakia	€460
27	Germany	€396

Worker cost equivalent: € per person in the working-age labour force.

Winners

The countries much less affected by CADA's sovereignty requirements are larger economies and those with pre-existing national exclusionary regimes for cloud and AI providers.

- Germany registers the lowest per-taxpayer exposure in the EU because its administration already operates under legacy frameworks like BSI C5 and the Deutsche Verwaltungscldoud strategy.
- France, Italy, and Spain similarly face lower incremental shocks due to established national sovereignty frameworks like SecNumCloud, ACN, or ENS.

Restricted provider choice & dominant regional players

Qualifying EU cloud capacity at CADA's highest 'sovereignty' levels (UAL3/UAL4) is heavily concentrated in a tiny number of providers and major markets, primarily France and Germany.

- Smaller Member States have near-zero domestic UAL3/UAL4 capacity, creating an immediate cross-border supply squeeze.

This mismatch significantly restricts options for smaller, highly digitised Member States, narrowing vendor choice rather than fostering a diverse provider ecosystem.

- Without access to a broader mix of both regional and global options, they risk paying premium rates to a select few dominant regional players while limiting local digital innovation.



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