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European SMEs Seize the Cloud

Policies to promote Economic Growth through Cloud Computing

The European IT sector includes tens of thousands of SMEs, including thousands of startup companies. These SMEs are the engine of economic growth in Europe. According to studies by IDC, the European Union's IT sector in 2010 employs close to 8 million people of which 99% are working in small to medium sized enterprises. Jobs in the SME IT sector are expected to grow at a faster rate than total employment over the period of 2009 – 2014, and this sector should stimulate over 550,000 new jobs.

The evolution of cloud computing offers many of these companies new opportunities to innovate, grow and compete. Seizing these opportunities will result in economic gains for European SMEs and the EU economy as a whole.

Economies of scale in cloud computing infrastructure can lower costs and increase flexibility, enabling businesses to reach wider markets faster – benefits that are particularly helpful to startups and SMEs. At the same time, cloud computing also creates key innovation opportunities, enabling existing and emerging IT sector SMEs to offer a range of new services and solutions to customers across and outside of Europe.

Benefiting from these opportunities requires that the EU have a “pro-cloud” framework in place – a framework that drives cloud innovation and uptake, that allows for the secure and efficient flow of data across national and international borders, and that facilitates the conduct of business in multiple markets. Consistent with the “Think Small First” principle, this framework must reflect the unique circumstances and needs of SMEs.

In light of current market and technology developments, and following the line of the Granada Ministerial Declaration, we encourage policymakers to consider the following priority actions so that European SMEs can “seize the cloud”:



1. Create a digital single market for the knowledge-based economy

- One of cloud computing's most important benefits is that it can transcend national boundaries, enabling SMEs to offer IT services and solutions that reach beyond domestic markets. Divergent national laws within the EU – such as those governing the retention of, jurisdiction over and access to data – unnecessarily increase the costs of delivering cross-border cloud services, limiting the potential benefits for SMEs. Such divergences must be eliminated, and replaced by a true digital single market for the cloud and other online services.

2. Promote barrier-free international trade

- Protectionism at the national or regional level, including through regulatory barriers or over-extensive rules on data location, creates obstacles for SMEs trying to reach markets beyond the EU. EU trade practice should promote the free circulation of data and of IT services and solutions in a globalised economy; at the same time, the EU should refrain from adopting policies that could impede its own ability to challenge trade barriers erected by third countries.

3. Develop an EU model contract for cloud services

- The costs of developing and negotiating commercial agreements that comply with national regulations in multiple markets can be disproportionately high for SMEs, discouraging them from engaging in cross-border cloud transactions. The development of non-binding pan-European model contracts for cloud-related services would help to reduce some of this basic cost of doing business. This could be led by the EU following the lines of the ITC's recent SME model contract initiative.

4. Promote European networks of the future

- The increased volume of data flows brought about by cloud services requires further development and deployment of high speed and ubiquitous broadband. This is the most fundamental of policy priorities for the take up and dissemination of ICT usage and a cornerstone of the EU2020 strategy that can greatly benefit SMEs delivering cloud services.



5. *Enhancing SME competitiveness through innovation and skills promotion*

- Evolving technology trends require constant attention to skills training to help SMEs keep an innovative edge. EU skills programs should facilitate the training needed for technical and business skills.

6. *Ensure trustworthiness and privacy of online transactions*

- Measures designed to enhance online security – such as PCI (Payment Card Industry) regulations, which require eCommerce providers to adhere to certain standards when storing, processing and transmitting credit/debit card data – promote user confidence. Yet industry-led regulations in this area are not enforced and 80% of eCommerce sites are PCI non-compliant, creating a cost disadvantage for those SMEs that adhere rigorously to the PCI requirements. The EU and Member States should assist SMEs in compliance with the PCI requirements and, where necessary, promote enforcement of the PCI regulations.
- EU support of claims-based identity principles for secure online identity management is equally important. Rather than efforts to develop a single ID, emphasis should instead be placed on establishing an interoperable architecture for digital identity that recognises that users will have several digital identities based on multiple underlying technologies, implementations, and providers – an approach that is already widely supported across industry.

7. *Fight cybercrime*

- The willingness of enterprises to migrate to the cloud depends directly on their confidence in the security and privacy of their data in the cloud. The EU should ensure that Europe has robust cyber-security rules and meaningful sanctions for violations of those rules – and should also seek to enhance international cooperation against cyber-criminals.

8. *Promote transparency and good practices in security*

- Governments should foster and promote industry-led initiatives to deliver security in cloud services (such as those approaches endorsed by the Cloud Security Alliance, ENISA and ISAF). The use of common metrics and the provision of clear, consistent information will enable customers to understand and compare the data management and security practices of cloud providers, and ultimately to better protect themselves online.



International Association of Microsoft Channel Partners

European SMEs delivering cloud services are working hard to increase trust and confidence in these services by adhering to industry codes of conduct and applying accepted norms for the management, security and privacy of data, offering customers interoperable solutions and ensuring that customers can control their own data.

Such commercial efforts, however, need to be enhanced by forward-looking government policy efforts premised on the Think Small First principle – as outlined in the priorities above – in order for European SMEs to compete, grow, and contribute to the European economy.

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