

Pro

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# 'Europe is a digital colony': Startups wrestle with tech sovereignty demands

German AI translation startup DeepL recently partnered with Amazon for its cloud infrastructure, sparking concerns

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Jarosław Kutylowski, CEO and founder of DeepL

In recent weeks, posts on forums like [Reddit](#) and [LinkedIn](#) have raised questions over one European startup's decision to use a US cloud provider to underpin some of its services.

German AI startup DeepL, known for its AI language translation products, announced earlier this year that it would begin using Amazon Web Services (AWS) as a cloud infrastructure provider and subprocessor.

The move sparked criticism online, with [one purported user](#) saying they chose DeepL over "every US-controlled translation service for one reason: they were a German company, on German infrastructure, under German law. Full stop. That reason no longer exists."

The move comes as concerns grow in Europe that the region is too reliant on US cloud providers for most of its digital apps and products.

Hyperscalers AWS, Google Cloud and Microsoft Azure together **account** for 70% of the cloud market in Europe. With transatlantic relations increasingly souring in the past few months, **observers are warning** these dependencies are putting Europe at risk, and pushing for more homegrown alternatives to US technologies in a bid to enable "digital sovereignty".

"[DeepL's move] runs counter to a trend we see increasing every day of shifting away from hyperscalers and to European solutions," says Cristina Caffara, chairperson of EuroStack, an initiative promoting the development of an independent digital infrastructure in Europe.

"It is disappointing DeepL has done this but it is not symptomatic of a trend [...] They are on the wrong side of history, while companies across Europe are going the other way."

"Digital sovereignty" is becoming buzzier than ever, with high-profile companies like French AI darling Mistral spearheading the movement. Mistral recently **announced it has secured an \$830m loan** to build out AI infrastructure in Europe in a bid to provide sovereign compute power to customers.

But some say reducing dependencies on US services is not so easy. Despite the sovereignty topic becoming increasingly critical, the infrastructure in Europe hasn't kept pace; and many companies opt to use larger providers like Amazon or Microsoft.

"If products are just way better or cheaper, they are being adopted. Unless tariffs or legal barriers are being created, customers stick with the best quality and best price offers," says Benjamin Erhardt, a general partner at Munich-based venture firm UVC Partners.

In a statement, a DeepL spokesperson said: "With a rapidly growing customer base spanning regions such as Asia, the United States, and beyond, we're implementing a next-generation hybrid cloud strategy that combines our trusted data centers in the European Economic Area (EEA) with additional cloud resources from AWS," adding that "privacy, security, and trust are our highest standards".

## Sovereignty washing

Many European players currently rely on US-based cloud hyperscalers because they offer scale, ease of deployment and cost efficiency, but it comes with critical drawbacks.

A key concern is that digital services in Europe could be largely turned off if access to US cloud providers were to be restricted. This scenario has resonated particularly in recent months, which have been **marked by increasing threats of a trade war from the Trump administration**.

In addition, US hyperscalers are subject to US regulations like the Cloud Act, which in specific cases could enable US authorities to access data stored by US companies, even

if it is physically kept in a data centre in another location like the EU — creating significant privacy risks, especially for organisations in sensitive sectors like healthcare, banking and public services.

Since US president Donald Trump returned to office in 2025, "the awareness that digital sovereignty matters has really risen a lot, and it's still rising by the day," Paul Timmers, a digital sovereignty researcher and visiting professor at KU Leuven focusing on geopolitics and technology, tells Sifted.

As European calls for "digital sovereignty" grow louder, cloud providers are responding. AWS recently launched a "European Sovereign Cloud", which it says is as an entirely independent entity operating in the EU to run sensitive workloads and meet customers' "sovereignty requirements".

An AWS spokesperson told Sifted: "We can only respond to legal requests for data where we have the technical ability to do so, and the AWS European Sovereign Cloud [...] enforces access restrictions so that nobody, including AWS employees, can access customer data."

Some decry such moves as "sovereignty washing". "Hyperscalers are coming under pressure [...] They see the writing on the wall as countries like France, Germany and the Netherlands make alternative plans," says Caffara. "They worry about losing a very profitable market: Europe."

"So they are creating their own solutions and telling customers: 'You have nothing to worry about, your data is stored in servers based on European soil, what could possibly go wrong?' Well, a lot," she adds.

"They are making non-credible promises: they cannot ultimately escape the US Cloud Act and as such they are susceptible to weaponisation by a hostile administration."

Last month, 25 European cloud companies **wrote an open letter** to the EU Commission warning against "sovereignty washing" by US hyperscalers who advertise full control for their customers while remaining subject to US regulations.

Signatories pointed to a 2025 hearing of a Microsoft executive by the French Senate, in which the US company recognised it could not guarantee that customer data would never be shared with the US authorities.

An AWS spokesperson said: "The AWS European Sovereign Cloud is physically and logically separate from other AWS Regions, and has zero operational control outside of EU borders."

## A problem for startups: competitiveness

DeepL's website says that it uses a hybrid infrastructure: DeepL-administered servers in data centers in Europe plus AWS as a sub-processor.

The company is taking the necessary precautions to ensure data stays within DeepL's "sovereign environment", founder and CEO Jarek Kutylowski said last week at a press event.

The issue for companies like DeepL is that the landscape in which they're operating is only getting more competitive, and offerings like AWS's come with significant advantages.

"There are European cloud players like OVH in France and Hetzner in Germany which have the necessary scale," says Richard Van Anholt, the cofounder of Dutch startup GLBNXT, a platform that helps customers build AI applications running entirely on European infrastructure.

"But it requires a lot more development power, knowledge and resources from a company like DeepL to run on these types of environments," he adds.

"What AWS, Google and Microsoft Azure have done is make it very comfortable for developers to start from scratch and quickly go to market [...] Whereas European cloud players require more resources and hiring the right folks. And in the end who's going to pay for it?"

Pierre-Carl Langlais, the cofounder of Pleias, a French startup building small AI models for businesses, says the lack of suitable alternatives to US-based hyperscalers remains an issue.

"Right now we are mostly running on European providers, but long-term scaling is an open question, with too much friction, and not just in terms of price point," says Langlais.

Erhardt of UVC believes that DeepL's move to use AWS may hurt the company's "story", but is "testimony to the competitiveness of AWS's offering."

Erhardt says DeepL isn't "to blame" in this instance, adding that DeepL offering a service on a competitive infrastructure in a highly competitive market is "probably a must as LLMs are pushing. And these certainly are being run on competitive infrastructure."

DeepL's Kutylowski acknowledges the competitive nature of the market. And a [recent German media report](#) said that alleged financial forecasts from late 2024 estimated DeepL would remain unprofitable for years.

A DeepL spokesperson declined to comment on rumours; Kutylowski said that the "business is doing great", but wouldn't comment on numbers. He also wouldn't comment on the company's gross margins, but said that DeepL is "one of the best" gross margin-running companies in the AI space.

## Europe's 'digital colony'

It's likely that vendors will increasingly be expected to manage a delicate balance between rising sovereignty imperatives from their users and business efficiencies.

Enterprise customers in Europe are becoming aware of the digital dependencies that could be putting their products and applications at risk, which in turn is putting pressure on vendors to offer more resilient services.

Langlais says sovereignty is a growing concern among users. "Customers favour local AI, not only to protect personal data but also to secure company IP [...] It's becoming an important part of our market now, especially in regulated sectors."

Some say, however, that sovereignty concerns remain secondary for most customers.

"The baseline is a competitive offering; sovereignty the strategic bonus. It does not work the other way round," argues Erhardt. "Most startups and services are not really mission critical," unless they are in areas like quantum or fusion, he adds. "Their 'leverage potential' is limited and the dominating factor for adoption is whether the product is competitive, less the aspect of sovereignty."

Still, Timmers pushes back. "Very often, what you see is that people say, 'Well, I have to decide [to use] the American solutions or the Chinese solutions, because there's nothing else on the market.' Well, is that really true? Is there transparency in these decisions, accountability?"

For Caffara, it's not a question of "if" but "when".

"Today Europe is a digital colony," she says. "We need to reverse this trend which is diminishing European tech into insignificance [...] This process will be incremental and will take time, but we have the assets, capabilities and finance to do this in Europe, and we will."

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