

Digital Sovereignty

The New Tech Order



JOAKIM REITER

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FIX CONNECTIVITY, RESTORE COMPETITIVENESS: EUROPE'S NEXT ADVANTAGE

Joakim Reiter is Vodafone's Chief External and Corporate Affairs Officer, responsible for public relations and corporate affairs, including policy and regulation, communications, security, sustainability and charitable activities. He is also currently sitting on the Board of the Swedish Space Corporation and was previously a member of the EU's Horizon Mission Board for climate-neutral and smart cities.

Before joining Vodafone in April 2017, Joakim was the Assistant Secretary-General of the

United Nations and the Deputy Secretary-General of the United Nations Conference on Trade and Development (UNCTAD). Prior to that, he spent more than 15 years in the foreign service of Sweden, including as Deputy Director-General of the Ministry of Foreign Affairs, Ambassador to the World Trade Organization and at the Permanent Representation to the European Union. Joakim also served as an EU negotiator with DG TRADE at the European Commission.

MAKING SENSE OF “DIGITAL SOVEREIGNTY”

What does digital sovereignty mean for you, and what do you see as the biggest misconceptions around this topic?

Joakim Reiter: The challenge is that this debate has not always started from the right question: what are we actually trying to achieve? Are we pursuing sovereignty because we want to retain a level of control, to avoid the weaponization of dependencies and protect our citizens? I would be entirely supportive of that. Or are we using sovereignty as a vehicle for a new form of industrial policy? That is also a legitimate objective, but then you need to be honest about the distributional consequences, including the fact that, as with most import-substitution-driven industrial policy, you end up raising costs across the entire ecosystem to the point where you erode competitiveness. When you're talking about sovereignty, you have to accept that you will never be 100% sovereign, just as you will never be 100% secure. It is therefore about being genuinely clear-eyed about where your sovereignty objectives are most legitimate, where they can best be achieved, and what the trade-offs are.

In the early stages of this debate, there were a lot of bold claims. As we have moved into greater detail, we are seeing a more pragmatic and more nuanced understanding of what actually needs to be done. That, I think, is a positive development.



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How has thinking around digital sovereignty evolved, and is there a framework that can move the debate beyond binary choices?

Joakim Reiter: The debate around sovereignty has matured considerably. We've developed a framework that distinguishes between three layers: data sovereignty, operational sovereignty, and technology sovereignty. Technology sovereignty is the on-off switch determining whether you can source certain technologies from certain jurisdictions. But you can achieve a great deal in terms of protecting your citizens simply by addressing data sovereignty or operational sovereignty, without being forced into binary choices.

When Ursula von der Leyen [*Editor's note: President of the European Commission*] spoke about "de-risking," the debate lacked sophistication. What does de-risking actually mean in the context of digital ecosystems? It means thinking carefully about data, about operational access and control – and then, and only then, about technology. Early in the debate, the focus was almost exclusively on technology, overlooking those other two dimensions entirely. That has changed, and the closer people get to this topic, the more that layered distinction resonates. as each tries to secure its technological future in a volatile world.



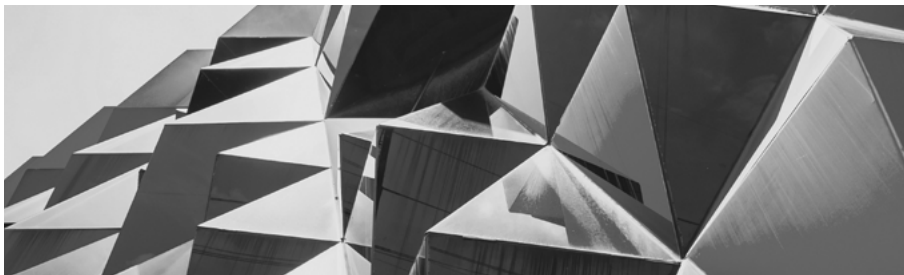
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What's your view on the role of AI in the sovereignty debate?

Joakim Reiter: The conversation with governments has shifted, noticeably and quickly, from cloud and hyperscalers to large language models and AI. And I think the debate has become somewhat too binary around the question of who develops the large language models. From a European sovereignty perspective, there is inadequate focus on the fact that Europe still has everything to play for, in physical AI, in vertical AI applications, and in leveraging the extraordinary data lakes that exist within Europe's industrial sector.

The best answer to Europe's concern that it hasn't contributed its fair share to the development of large language models is to focus on what Europe is genuinely world-class at: industrial transformation, systems integration, and unlocking the wealth of industrial data that already exists. When the panic button was pushed, and you could describe it that way, it felt slightly misguided. European politicians perhaps don't fully appreciate that when it comes to applying AI to industrial use cases, Europe is not a laggard. It is a leader.

Rather than getting distracted by whether the Chinese or the Americans are winning the race in consumer-facing LLMs, Europe should double down on what it's really good at and make sure it wins that race.



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TELCOS AND SOVEREIGNTY

What is the role of telcos in the sovereignty debate, and has that role been accelerated by recent developments?

Joakim Reiter: There are several layers to the telco story in this debate. The first is foundational. When you talk about cloud, AI, physical AI, or edge compute, a significant portion of the underlying infrastructure is provided by telcos. That makes us a foundational part of the ecosystem. And that foundation has become increasingly sensitive, particularly since the beginning of the war in Ukraine.

The second layer is perhaps less obvious but equally important. Most digital players operate without authorization or licenses. Telcos do not. I cannot operate in a single market without an affirmative decision by the state, with conditions attached. That is the starting point for my existence as a business. And there is no clearer expression of sovereignty than the right of a state to determine whether an entity can do business within its borders. That threshold does not apply to hyperscalers or system integrators in the same way.

Because we are locally licensed and under ongoing authorization in each jurisdiction, member states retain the ability to exercise real control over our operations, including evolving security requirements. This means telcos are extremely close to governments, deeply familiar with their concerns, and often ahead of the curve in understanding how governments think about control and sovereignty.



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At the same time, you cannot run an efficient telco network without leveraging the best technologies available globally. I need AWS, Microsoft, Google. I need to ensure European customers receive the best possible service at the most competitive cost. So there is a constant tension between operating under heavy government scrutiny and needing to embrace technological advancements originating anywhere on the planet, often built on international standards.

It is precisely that tension – balancing control on one side and openness on the other – that puts telcos in a strong position to lead this debate. We are not a hyperscaler and we are not a system integrator, but we live that trade-off every day. When the conversation turns to open strategic autonomy or how to balance sovereignty with competitiveness, that experience gives us a very clear sense of what is actually required.

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Vodafone is not a national incumbent, yet it operates across multiple European markets. What does that position mean for how you engage in this debate?

Joakim Reiter: On one hand, we are as sophisticated as the incumbents. Former state monopolies have developed real depth in what it takes to run critical national infrastructure, and Vodafone has adopted a very similar posture, including our significant investment in cybersecurity. On the other hand, because we are large and we are a challenger, we are also among the first to call out unnecessary fragmentation, and we do so forcefully. We genuinely believe that fragmentation, even when justified on security or sovereignty grounds, ultimately leads to less security and resilience, and risks undermining the very sovereignty it claims to protect.

That gives us a unique position compared to national incumbents whose scale is, understandably, national. If Germany and France take different postures on sovereignty and security, that is not necessarily a problem for Orange. It is very much a problem for Vodafone. We bring a pan-European perspective that pure national players simply do not have.

There is also another dimension. Vodafone is headquartered in the UK, which is part of the Five Eyes (FVEY) intelligence alliance¹, and that has shaped us considerably. Five Eyes nations have a highly sophisticated understanding of the digital threat landscape. Having spent much of my career in government, including working on sensitive files, and then moving to the UK, I saw firsthand how that sophistication extends into the corporate sector. The expectation placed on private companies around security posture is higher, and frankly, that pressure has made us better. It gives Vodafone a vantage point that even highly capable national operators may not always have, because they may not see all the angles that we see.

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WORKING WITH HYPERSCALERS

How do you navigate the relationship with hyperscalers, given their scale and the space they now occupy across cloud and AI?

Joakim Reiter: Hyperscalers are enormous, and we are genuinely glad they are making the R&D and product investments that allow us to leverage their technology. But in the early stages of the sovereignty debate, many of them responded by saying that national and regional security requirements were simply incompatible with their business model. That position has shifted considerably, and it's important to acknowledge that.

The challenge was that hyperscalers were, understandably, thinking globally. That drove scale and lower unit costs, but it also made them less attuned to emerging geopolitical realities and the political shifts that accompanied them. They have adapted, which is important for Vodafone, because we genuinely want to leverage their technology.

Where government concerns are wrong, we will say so, and we will help hyperscalers push back. But many of those preoccupations are entirely legitimate, and it is the responsibility of the private sector to provide solutions that address them, rather than leaving it to governments to devise measures without always having the detailed technical understanding to get the nuance right.

In practice, the geometry is variable. For workloads with high sovereignty requirements, hyperscalers may sit at the back end, while we partner with system integrators on the front end, with encryption and other controls layered in between. That kind of architecture is only possible when hyperscalers understand and are willing to operate within the new environment. Companies like Vodafone have helped hyperscalers recognize when government concerns are legitimate, and we have a shared interest in making those partnerships work, on the right terms, to service European sensitive workloads in the right way.

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UNDERINVESTMENT IN CONNECTIVITY – AND ITS IMPACT ON SOVEREIGNTY

What role does connectivity investment play in Europe's digital and sovereignty ambitions?

Joakim Reiter: When telcos do not generate healthy returns, two things happen. First, they ration capital, deploying only what is absolutely necessary. That constrains the supply side of the digital ecosystem and limits the ability of start-ups and others to experiment on the latest connectivity infrastructure. Second, they stop innovating and stop diversifying. European regulation has, by design, pushed telcos toward utility status – effectively removing the incentive to innovate or diversify. Those policy choices have very real consequences.

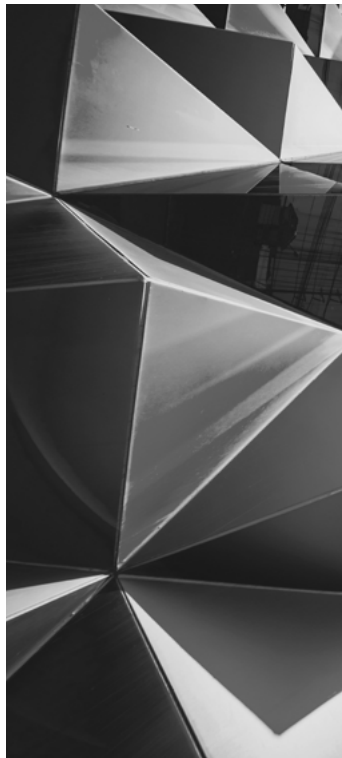
To be clear, if the objective was purely to drive price deflation on existing technology, European regulation achieved that. But if the objective is to keep pace with every successive generation of technology, this is not the right policy environment. That starts with questions around consolidation, spectrum regulation, and an overall regulatory approach that has been quite extractive. The impact of self-handicapping the telco sector has, in my view, significantly weakened Europe's broader role in the digital ecosystem.

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TOWARD A "MATURE" SOVEREIGNTY AGENDA

What would a mature digital sovereignty agenda look like from a regulatory standpoint, and what is the right balance to achieve it?

Joakim Reiter: Two things need to happen simultaneously. The first is to avoid naivety. That means identifying, in a granular and nuanced way, the specific control points that genuinely matter. That is the essence of the modular approach to sovereignty. The second is to recognize that even with the right framework in place, homegrown capabilities will not materialize unless the private sector is unleashed, both in terms of investment and innovation. On investment in telco specifically, the barriers are consolidation and spectrum. Fragmentation is a direct consequence of insufficient consolidation, and spectrum has largely functioned as an extraction mechanism, siphoning capital that would otherwise have gone into network deployment or innovation.



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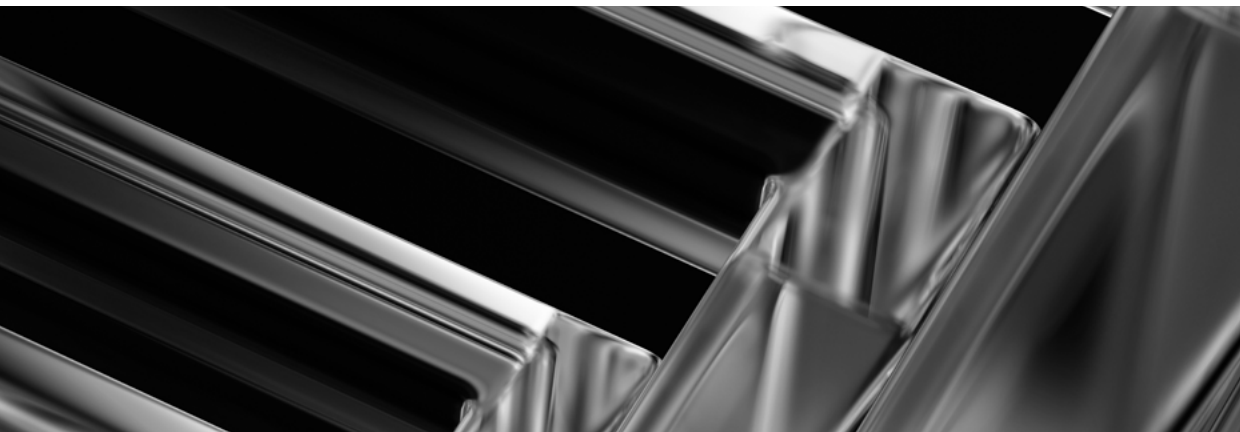
On innovation, there are two very concrete issues. The first is whether telcos are permitted to launch products that leverage network virtualization for the benefit of customer productivity. Network slicing for industrial use cases, for instance, is not something European telcos are currently allowed to offer under existing EU legislation. Europe is, in effect, choosing by law to ban certain categories of innovation. This is not a minor issue, if the ambition is to play a larger role in the future digital ecosystem.

The second issue is the level playing field. Telcos have lost significant potential revenue streams to new players in the ecosystem that operate under fundamentally different regulatory requirements. When a customer makes a call over WhatsApp, that call is subject to entirely different rules than a standard voice call over a telco network. The telco industry could have built WhatsApp. We were not permitted to. And beyond that, the rational commercial logic for a telco is actually to spin off innovation early, because once technology leaves our ownership it faces lighter regulation. That creates a perverse incentive structure that discourages telcos from nurturing and scaling innovation in-house.

The regulatory changes required are not complex in concept. But reclaiming sovereignty without allowing the private sector to flourish is not a credible strategy.

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What is your expectation of the broader private sector, particularly other European industries, in advancing this agenda?

Joakim Reiter: I will give a concrete example. At a recent ERT [Editor's note: European Round Table for Industry] session, a leading automotive company presented a compelling vision for the future of European automotive, built around two pillars: electrification and a car operating system that shifts the business model from a one-time purchase to continuous, subscription-based revenue. That digital twin model for vehicles in motion can only work if automotive companies have agreements with telcos for network slicing, which prioritizes traffic as those vehicles and their customers move across Europe. Network slicing is the only way to guarantee the quality of service needed to justify that shift in business model. It also represents a potentially significant competitive advantage for Europe, given our technological sophistication and our strong starting position in automotive.

But here is the question I keep coming back to. Why are the automotive companies, for instance, not going directly to the European Commission and asking why Vodafone is not permitted to sell it a network slice? Why is government involved in a decision between two corporates at all? One company wants something. Another company is legally prohibited from providing it. That makes no sense.

What has frustrated me is that the digital and telco sectors tend to speak largely among themselves, which is not helpful. The industrial players should have a powerful political voice. They should be the ones standing up and saying they want a digital ecosystem in Europe that can genuinely service their needs – and that Europe needs to stop preventing it from being built.

LOOKING AHEAD

Looking ahead to 2030, what are the most important policy or market structure changes needed to achieve Europe's digital sovereignty objectives?

Joakim Reiter: Three priorities.

The first is getting the sovereignty framework right without imposing a new set of self-inflicted handicaps on industry. That means allowing European companies to partner with the best technology providers in the world, while maintaining genuine control points where they matter, whether that is data, operational control, encryption keys, or other critical levers. The key is being sophisticated about this, so that sovereignty does not become a banner under which European competitiveness is quietly undermined.

The second is addressing the investment climate, plainly and honestly. You only attract as much capital as your market deserves. If Europe is underperforming on capital inflows and foreign direct investment – which it is – the consequences are inevitable. Fixing that would be enormously beneficial, including for the companies headquartered here.

The third is to listen carefully to the blueprint that Mark Carney [Editor's note: Prime Minister of Canada] has outlined for how countries and companies that find themselves behind the curve on both technology and sovereignty need to think about their path forward. For me, it comes down to building the right alliances with like-minded, trusted partners and middle powers. That gives you optionality and supplier diversification over time. It will not all come from Germany, France, or the UK alone. A UK technology company may collaborate with partners in South Korea, Australia, and Canada. That kind of multilateral collaboration with partners in exactly the same position as Europe's is one of the most credible ways to reduce strategic dependencies over the long term.



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