

# Data Sovereignty: Firms, Accountability, and the Challenge of International Governance\*

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## Abstract

International organizations have struggled to establish binding rules on cross-border data flows despite the growing importance of trade in digitally delivered services (DDS). This paper argues that cooperation is difficult because governments pursue *data sovereignty* through different instruments for asserting authority over data. We distinguish strict localization measures, which keep data, processing, or infrastructure under domestic jurisdiction, from conditional flow regimes, which permit transfers when firms or destination jurisdictions satisfy domestic legal requirements. We develop a theory in which DDS competitiveness raises the costs of territorial control, while political accountability shapes whether firm opposition and consumer privacy concerns influence policy. Using new data on cross-border data restrictions for more than 150 countries from 2005 to 2024, we show that data sovereignty measures differ from conventional goods trade protection. Leveraging exogenous variation in topographic constraints on DDS competitiveness, we find that revealed comparative advantage in DDS is associated with fewer strict localization measures, especially in higher-accountability systems. IOs struggle to govern data flows because domestic political environments lead governments to assert authority through different forms of data sovereignty.

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