GLOBAL DATA ALLIANCE
TRUST ACROSS BORDERS

Economic, Legal, and Policy Implications of Digital Sovereignty Measures

Effect on Digital Services and WTO Non-Discrimination Norms

The Global Data Alliance (GDA)[1] has published this position paper to help economies evaluate the trade-related impacts of certain measures advanced in the name of "digital sovereignty," "technology sovereignty," "data sovereignty," and "AI sovereignty" (*collectively, "tech sovereignty" trade barriers*). At a time when all economies expect to reap the benefits of economic growth in digitally delivered services, the growth of new "tech sovereignty" trade barriers is a cause for concern.

All economies retain substantial latitude to pursue measures necessary to achieve legitimate public policy objectives, including in relation to consumer protection, personal privacy, confidentiality of records, cybersecurity, and data security. Nevertheless, concerns arise in the case of "tech sovereignty" trade barriers that improperly alter conditions of market competition or afford less favorable treatment to non-national persons, goods, services, or technologies.

A NEW TYPE OF TRADE BARRIER

"Tech sovereignty" restrictions are an emerging type of trade barrier that appear to disfavor non-national persons, goods, services, or technologies—particularly in AI, cloud computing, and other emerging technologies. These barriers typically impose origin-related conditions upon eligibility for market access, product certifications, standards conformity, procurement eligibility, intellectual property (IP) rights protection, or other regulatory or financial benefits.

Such origin-related criteria may include requirements relating to:

- Minimum domestic ownership or national shareholding percentages;
- Nationality of directors, personnel, or subcontractors;
- Local establishment, headquarters, or registration;
- The locus of data, computing facilities, or support functions;
- The national IP office in which patent, trademark, or other IP applications are first filed;
- Domestic origin of hardware, software, or supply-chain inputs;
- Domestic value criteria based on local employment, R&D, or sourcing; and
- Legal immunity from another Member's jurisdiction, even for activities occurring in that jurisdiction.

Digitally deliverable services now account for 56 percent of global services exports, exceeding $5 trillion.

Tech sovereignty trade barriers undermine that growth by restricting market access, procurement eligibility, and digital trade based on origin-related criteria such as ownership, nationality, and location.

ECONOMIC IMPLICATIONS

"Tech sovereignty" trade barriers are gaining economic significance as digital services assume a larger role in trade. As such, these trade barriers disproportionately distort expected market benefits in today's economy.

Services are the fastest growing area of international trade, with total commercial services trade reaching $9.56 trillion in 2025 due in part to "rising demand for computing capacity, data processing, and software development, as individuals and businesses increasingly adopt AI technologies."[2] The UN Conference on Trade and Development (UNCTAD) estimates that digitally deliverable services now account for 56 percent of global services exports.[3] Likewise, a September 2026 report by the World Trade Organization (WTO), the Inter-American Development Bank, and the World Bank and the World Bank estimates that Latin American and Caribbean exports of digitally delivered services rose nearly 500% between 2005 and 2024.[4]

The WTO's World Trade Report 2025 states that AI can "lower trade costs and boost productivity." The World Trade Report 2026 projects that–by 2040–AI could increase global trade by up to 40 percent and global GDP by 13 percent, with the largest gains concentrated in digitally deliverable services.[5]

Origin-, ownership-, nationality-, and location-based restrictions work against these trends. They fragment networks and raise barriers for small and medium-sized enterprises and economies without large domestic technology ecosystems.

A May 2026 Oxford Economics study of 14 Asia-Pacific economies estimates that, once AI sovereignty requirements extend across industrial sectors, additional direct costs would reach as high as $149.7 billion for the most impacted economies. Impacts could include foregone GDP gains as high as 3.2 percent of 2035 GDP for individual economies under the most restrictive scenario, reflecting materially lower AI adoption.[6] In this way, "tech sovereignty" trade barriers can undermine the economic, development, productivity, and inclusion gains that economies are seeking to expand at this moment.

LEGAL IMPLICATIONS

As a legal matter, "tech sovereignty" trade restrictions raise concerns when their purpose or effect is to tilt the competitive field against non-national persons, products, services, or technologies.

In some cases, unreasonable or distortive features of "tech sovereignty" trade restrictions may fall outside the scope of WTO disciplines. In other cases, these restrictions may raise concerns under various WTO provisions, such as those below:

- General Agreement on Trade in Services (GATS) Art. XVII: National treatment in scheduled services sectors, including digitally enabled services;
- General Agreement on Tariffs and Trade (GATT) Art. III: National treatment for imported products, including digitally enabled products;

- Agreement on Government Procurement (GPA) Art. IV: Non-discrimination for covered procurement activities, as regards goods, services, and suppliers of other GPA Parties;
- Agreement on Technical Barriers to Trade (TBT Agreement) Agreement Art. 2.1: National treatment in respect of technical regulations and standards affecting imported products, including digitally enabled products;
- Agreement on Trade-Related Investment Measures (TRIMs) Art. 2: National treatment in respect of investment-related measures–with requirements to purchase or use domestically sourced articles constituting a presumptive breach (Annex, Illustrative List, para. 1(a)); and
- Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) Art. 3.1 and Art. 27.1: National treatment in respect of IP protection and enforcement in relation to persons, as well as specific protections against discrimination as to the place of invention, the field of technology, or whether products are imported or locally produced.

POLICY IMPLICATIONS

The aforementioned commitments reflect the policy priorities to which almost all economies have subscribed. The GATT preamble links the "elimination of discriminatory treatment in international commerce" to "raising standards of living," while the GATS references non-discrimination principles throughout the agreement, stressing that services trade can promote economic growth for all trading partners, including developing economies. Similarly, the TRIMs Agreement seeks to facilitate investment across international frontiers, warning against the trade-restrictive and distortive effects of investment barriers. The TRIPs Agreement provides that IP protection should promote technological innovation and the transfer and dissemination of technology, while also prohibiting discrimination against inventors or technologies based on nationality or origin. Similarly, the GPA and TBT Agreement provide that procurement and technical measures should not disfavor non-national suppliers or create unnecessary obstacles to trade.[7]

At the same time, national security exceptions under provisions including GATT Art. XXI and GATS Art. XIV bis give economies wide latitude to take measures they consider necessary to protect their essential security interests. Furthermore, applicable general exceptions (such as GATT Art. XX and GATS Art. XIV) remain available for economies to adopt measures necessary to achieve a legitimate public policy objective–provided that the measures are not adopted in a manner that constitutes arbitrary or unjustifiable discrimination, or a disguised restriction on international trade.

In commercial contexts, the central policy question is whether legitimate objectives can be achieved through objective, risk-based requirements that are tailored to achieve their stated objective, rather than via nationality- or origin-based exclusions. Many "tech sovereignty" trade barriers appear to fall short of that standard.

Governments can support domestic technology promotion and sovereign control by focusing on capability, collaboration, resilience, and trust.

In contrast, origin-based restrictions fragment networks, reduce resilience, increase cybersecurity risks, and raise barriers for small and medium-sized enterprises.

A BETTER PATH FORWARD

WTO Members need not choose between sovereignty objectives and participation in open digital markets. A more durable approach is outlined in the GDA's "Digital Sovereignty Agenda," which calls for governments to support domestic technology promotion and sovereign control by focusing on capability, collaboration, resilience, and trust. This may include:

- Using outcome-based criteria for security, resilience, recoverability, and continuity;
- Relying on international standards and interoperable certification mechanisms;
- Supporting domestic capability through non-discriminatory R&D, skills, infrastructure, financing, and other incentives rather than origin-based exclusion; and
- Investing in collaborative mechanisms across industries and governments, such as reinstating the WTO Work Programme on Electronic Commerce and related Moratorium, both of which lapsed on March 30, 2026.[8]

In this way, governments can strengthen digital sovereignty while preserving access to innovation, investment, global technology partnerships, and the cross-border data flows on which modern digital ecosystems depend.

Endnotes

1 The Global Data Alliance (GDA) is a cross-industry coalition of companies committed to high standards of data responsibility and to respecting each economy's digital sovereignty. GDA members depend on the ability to securely share information and access knowledge and technology across borders to innovate and create jobs. The Alliance supports policies that build trust in the digital economy while safeguarding cross-border data transfers and avoiding data localization requirements and nationality-based digital trade barriers. GDA members are headquartered across the globe and active across 150+ markets. GDA members are leading firms in agriculture, automotive, aviation, energy, finance, health, hospitality, manufacturing, media, software, telecommunications, transportation, and other sectors.

2 World Trade Organization (WTO), World Trade Report 2026: A Critical Juncture for the World Trading System, Executive Summary (2026), https://www.wto.org/english/res_e/publications_e/world-trade-report-2026_execsum_e.htm.

3 UN Conference on Trade and Development (UNCTAD), Global Trade Update (September 2026) (56 percent share of global services exports), https://unctad.org/publication/global-trade-update-september-2026-services-are-reshaping-global-trade; UNCTAD, UNCTADstat Data Insights, International trade in digitally deliverable services (about US$4.1 trillion from developed and US$1.3 trillion from developing economies in 2025), https://unctadstat.unctad.org/insights/theme/254.

4 WTO, Inter-American Development Bank & World Bank, Digital Trade in Latin America and the Caribbean: Connecting Markets, Powering Growth (September 2026), https://documents1.worldbank.org/curated/en/099604209042616174/pdf/IDU-98315bb2-be67-43f1-89b0-d387a37a31db.pdf.

5 WTO, World Trade Report 2026: A Critical Juncture for the World Trading System, Executive Summary, https://www.wto.org/english/res_e/publications_e/world-trade-report-2026_execsum_e.htm.

6 Oxford Economics, The Economics of Sovereign AI: Balancing Autonomy, Innovation, and Growth in the Asia-Pacific 10, 12 (May 21, 2026) (report for the AI Adoption Initiative), https://www.oxfordeconomics.com/resource/the-eonomics-of-sovereign-ai-balancing-autonomy-innovation-and-growth-in-the-asia-pacific/.

7 General Agreement on Tariffs and Trade 1947, pmbl., https://www.wto.org/english/docs_e/legal_e/gatt47_01_e.htm; General Agreement on Trade in Services, pmbl., https://www.wto.org/english/docs_e/legal_e/26-gats_01_e.htm; Agreement on Trade-Related Investment Measures, pmbl., https://www.wto.org/english/docs_e/legal_e/trims_e.htm; Agreement on Trade-Related Aspects of Intellectual Property Rights art. 7, https://www.wto.org/english/tratop_e/trips_e/ta_docs_e/1_tripsagreement_e.pdf; Revised Agreement on Government Procurement, pmbl., https://www.wto.org/english/docs_e/legal_e/rev-gpr-94_01_e.htm; Agreement on Technical Barriers to Trade, pmbl., https://www.wto.org/english/docs_e/legal_e/17-tbt_e.htm.

8 WTO, Work Programme on Electronic Commerce, https://www.wto.org/english/tratop_e/ecom_e/ecom_work_programme_e.htm (last visited Sept. 28, 2026).