Signaling Data Sovereignty

Verifiability, privacy-washing, and trust in digital markets

Serhii Prokopenko · Simon Kuznets Kharkiv National University of Economics

CED 2026 · Digital Transformation in Economic Development

Where does my data go?

Ten years ago, the answer lived in terms of service. Now it lives in advertising.

Sovereignty is existential.



Sovereign AI

['sɒvrɪn ˌeɪ 'aɪ]

AI systems and infrastructure designed to let organizations retain control over the critical intelligence they create and depend on, across data, models, adaptation, compute, runtime, and operations.

Sovereignty is a promise buyers cannot check

1. Where is my request actually processed?
2. Which law can compel access to it?
3. Does it enter a training pipeline?

You cannot verify it before buying, or even after using it (Darby & Karni, 1973)

A claim is a signal, and signals differ in what they cost

Costly signal

Audit, disclosure, enforceable contract

Hard to send if the claim is false.

Cheap signal

Slogan, flag, contrast with rivals

Costs nothing to make and nothing to withdraw.

Six signals: three costly, three cheap

COSTLY

Architectural disclosure

Published data flows and subprocessors

Third-party audit

Independent attestation of the arrangement

Contractual guarantee

Residency clauses with penalties

CHEAP

Symbolic association

Flags, local language, national identity

Negative signaling

“Unlike others, we…”

Origin narrative

“We were founded after event X…”

Microsoft France made two true statements to the French Senate

THE CONTRACT

“Since January 2025, under a contractual guarantee, our European customers’ data does not leave the EU.”

THE LAW

“No, I cannot guarantee it, but, once again, it has never happened.”

Asked whether data could ever be transmitted to US authorities without French consent. Senate hearing, 10 June 2025. English translation of the French testimony.

Costly signals last; cheap ones are fragile

P1 Costly, verifiable signals sustain willingness to pay, selection, and retention.

P2–3 Cheap signals work where buyers cannot, or need not, verify.

P4 One exposed overstatement lowers trust in the whole category.

P5 Substantiation standards reward providers who already invested.

Conceptual propositions, offered for empirical testing

Privacy-washing is the gap between claim and proof

CLAIM

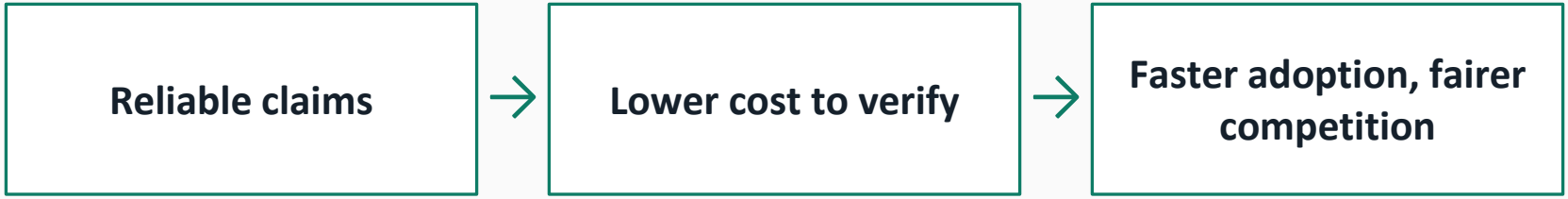
“Fully sovereign”

WHAT CAN BE VERIFIED

Where the servers are	Corporate control · foreign law · operator access · model governance

The same dynamic as greenwashing (Delmas & Burbano, 2011)

Trust in claims is infrastructure for digital development



Kuznets argued that growth needs the institutional adjustments ..
that let technology be used.

Ukraine’s national LLM, Siaivo, shows why scope matters: a sovereignty message built on a Google Gemma base model.

Takeaways

1 **Make the claim checkable**

Audit, disclosure, enforceable contract: treat verifiability as design.

2 **State its scope**

“Primary customer data processed within the EU” survives scrutiny; “fully sovereign” does not.

3 **Substantiate by rule**

Procurement and policy should reward costly signals, and hold states to the same standard.

Thank you

Questions and comments are welcome

prokopenko.serhii@gmail.com