

The Political Trade-off Mechanism between the Interests of Sovereign States and the Cross-border Compliance of Enterprises

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Abstract: Against the backdrop of the deep integration of the global economy and the intensification of geopolitical competition, the interaction between the interests of sovereign states and the cross-border compliance of enterprises is becoming increasingly complex. This article conducts an analysis from three dimensions: theoretical logic, practical contradictions, and balance paths, revealing the core demands of sovereign state interests, the constraints on cross-border compliance of enterprises, and the dynamic game mechanism of the two in political trade-offs. Research findings reveal that the interests of sovereign states influence the cross-border behavior of enterprises through three dimensions: legal regulation, economic security, and political sovereignty. To comply with the rules, enterprises need to reconstruct their strategies within the framework of technological sovereignty, data security, and industrial security. The essence of the political trade-off mechanism is that sovereign states, while safeguarding their own interests, achieve synergy between corporate behavior and national strategy through institutional design and policy guidance.

Keywords: Sovereign State Interests; Corporate Cross-Border Compliance; Political Trade-Offs; Technological Sovereignty; Geopolitics

1. Introduction

Since the 21st century, the process of globalization has presented dual characteristics of "technology-driven" and "rule reconstruction" [1]. On the one hand, multinational companies promote global economic connectivity through technology diffusion and capital flows. For instance, Apple has achieved the optimal allocation of resources by distributing its design, manufacturing and sales processes across different countries through global supply chain

management [2]. On the other hand, sovereign states, based on security considerations, have strengthened their control over technology, data and industries, creating a tension between "de-globalization" and "re-globalization" [3]. On the one hand, sovereign states safeguard their own interests through legislative, regulatory and diplomatic means. For instance, the United States has placed Chinese technology enterprises on the "Entity List" on the grounds of "national security", restricting their access to American technology. The EU has built a data sovereignty barrier through the General Data Protection Regulation (GDPR), weakening the cross-border data flow capabilities of US tech giants. [4] On the other hand, corporate cross-border compliance is no longer confined to legal compliance but has evolved into a micro-carrier of power games among countries. The essence of this political weighing mechanism is a dynamic adaptation process between the interests of sovereign states and the cross-border behaviors of enterprises. Its core lies in how to achieve a win-win situation for national security and enterprise development through institutional design.

At present, there are two main viewpoints in the academic circle regarding the relationship between the interests of sovereign states and the cross-border compliance of enterprises. One viewpoint emphasizes the priority of national interests and holds that corporate compliance should be fully subordinate to national strategies [5]. Another viewpoint advocates the independence of corporate interests, arguing that excessive compliance can undermine a company's market competitiveness [6]. However, both of these viewpoints overlook the dynamic nature of political trade-offs - national interests and corporate interests are not zero-sum games but can be coordinated through institutional innovation. This paper analyzes the connotation and denotation of sovereign state interests, reveals the constraint mechanism they impose on

enterprises' cross-border compliance, and proposes the reconstruction path of enterprise compliance strategies, providing a theoretical reference for understanding the state-enterprise relationship in the context of globalization.

2. The Connotation and Extension of Sovereign State Interests

2.1 Core Components of Sovereign State Interests

Sovereign state interests are the comprehensive demands for the survival and development of a country under the principle of sovereignty, covering three dimensions: political sovereignty, economic security and cultural identity. Political sovereignty is manifested as the monopoly of territory, jurisdiction and the right to make international rules. Economic security focuses on the independent control of key technologies, industrial chains and data resources. Cultural identity consolidates a country's legitimacy through the output of values and the construction of soft power. For instance, the European Union has shaped global data governance standards through the General Data Protection Regulation (GDPR).

2.2 Dynamic Evolution of Sovereign State Interests

With the technological revolution and changes in the geopolitical landscape, the connotation of sovereign state interests has been continuously expanding. The priority of traditional security areas (such as military and territorial) has declined, while the weight of non-traditional security areas (such as technology, data, and ecosystem) has increased.

In the field of technology, technological sovereignty has become the core of national competition. The United States attempts to maintain its global technological hegemony through export controls (such as the chip restrictions on Huawei) and the formulation of technical standards (such as the dispute between Polar codes and LDPC codes in 5G standards)[7]. China has been promoting the independent control of key technologies through the "20+8" key industrial development plan (such as artificial intelligence and quantum computing). This competition for technological sovereignty reflects the paradigm shift of the state from "technological dependence" to "technological autonomy".

In the field of data, data sovereignty has become a new dimension of national security. The EU's GDPR requires tech giants to implement "local storage" and "strict protection" of EU user data; otherwise, they will face heavy fines [8]. China's Data Security Law and Personal Information Protection Law have established a data security protection system through data classification and grading as well as cross-border data transmission review. The construction of such data sovereignty is essentially about safeguarding national security through the right to make rules. In the ecological field, climate sovereignty has become a new focus of national competition. The "nationally Determined Contributions" mechanism of the Paris Agreement has prompted countries to establish carbon trading compliance systems. In 2023, the global carbon trading market size exceeded 800 billion US dollars. China has incorporated climate governance into its national strategy through the "dual carbon" goals (carbon peaking and carbon neutrality) and the construction of a national carbon market. The exercise of this ecological sovereignty reflects the country's paradigm shift from "economic growth" to "sustainable development".

2.3 The Realization Path of Sovereign State Interests

Sovereign states realize their interests and demands through legal regulations, economic policies and diplomatic games. At the legal regulatory level, the state formulates the Anti-Monopoly Law, the Export Control Law and the Data Security Law, establishing technological barriers and market access thresholds. At the economic policy level, local enterprises are supported through industrial subsidies, tax incentives and R&D investment, such as the support provided by China's "Big Fund" for the semiconductor industry. At the level of diplomatic competition, countries compete for rule-making rights through multilateral mechanisms (such as the reform of the WTO) and bilateral agreements (such as the Phase I economic and trade agreement between China and the United States). These paths collectively constitute the "institutional power" of sovereign national interests, exerting rigid constraints on the cross-border behaviors of enterprises.

3. Constraints and Strategic Reconstruction of Cross-Border Compliance for Enterprises

3.1 Multiple Constraints on Cross-Border Compliance of Enterprises

Corporate cross-border compliance is subject to triple constraints of law, culture and politics. Legal constraints are reflected in the dual supervision of the host country and the home country, such as the strict restrictions on cross-border data transmission by the EU GDPR and the zero tolerance for bribery by the US Foreign Corrupt Practices Act (FCPA). Cultural constraints stem from differences in business practices and ethical standards. For instance, in some developing countries, gift-giving may be regarded as a normal social behavior, while in Western countries, it may constitute bribery. Political constraints stem from technological competition and geopolitical conflicts among countries. For instance, the United States has placed Chinese technology enterprises on the "Entity List", forcing them to adjust their global supply chains.

3.2 The Reconstruction Logic of Enterprise Compliance Strategy

In a rule system dominated by the interests of sovereign states, the compliance strategy of enterprises needs to shift from "passive adaptation" to "active shaping". From a technical perspective, enterprises circumvent export controls by localizing R&D and conducting technological cooperation. For instance, Samsung has established R&D centers in China to adapt to Chinese technical standards. In terms of data dimensions, enterprises build a "data sovereignty" compliance system. For instance, Apple stores the data of Chinese users on servers in Guizhou to comply with Chinese laws. From an industrial perspective, enterprises reduce geopolitical risks through vertical integration and supply chain diversification. For instance, Tesla is building a Gigafactory in Shanghai to avoid trade frictions between China and the United States. The essence of these strategic reconstructions is that enterprises transform national constraints into competitive advantages through compliance innovation.

3.3 The "Politicization" Trend of Enterprise Compliance

With the upgrading of the state's control over technology, data and industries, corporate compliance has gradually evolved from a commercial behavior to a political one. On the

one hand, enterprises need to balance interests between the host country and their home country. For instance, after Google withdrew from the Chinese market, it re-entered the Chinese scientific research field through AI cooperation. On the other hand, enterprises need to respond to the country's demands for "technological security" and "industrial security". For instance, Huawei has achieved independent chip production through the "Nanmudan Plan" to counter US sanctions. This "politicization" trend requires enterprises to incorporate compliance into the core of strategic decisions rather than merely treating it as a tool for risk management.

4. The Political Trade-Off Mechanism between the Interests of Sovereign States and Cross-border Compliance of Enterprises

4.1 Coordination of Interests under Legal Regulation

Sovereign states build a "rule web" of technology, data and industry through legislation, while enterprises achieve rule breakthroughs through compliance innovation. For instance, in the field of export control, the United States' International Emergency Economic Powers Act (IEEPA) grants the president the power to restrict technology exports, while enterprises circumvent these restrictions through the "minimum content rule" and "technology licensing". In the field of data, China's Cybersecurity Law requires operators of critical information infrastructure to pass security reviews when purchasing network products and services, while enterprises meet compliance requirements through "data classification and grading" and "local storage". This kind of interest coordination under legal regulation is essentially a game between state power and the resilience of enterprises.

4.2 Industrial Games Oriented towards Economic Security

Sovereign states take industrial security as the core of economic security, while enterprises maintain their market position through supply chain reconstruction and technological innovation. For instance, in the semiconductor industry, the United States has subsidized domestic manufacturing through the Chips Act, while enterprises have reduced their reliance on the US by "de-Americanizing" their supply chains and adopting advanced packaging

technologies. In the field of new energy, China is promoting the upgrading of the photovoltaic industry through the "dual carbon" goals, while enterprises are circumnavigating trade barriers by building factories overseas and exporting technologies. This industrial game reflects the interweaving of national strategy and enterprise strategy: the state shapes the competitive environment through industrial policies, and enterprises counteract state constraints through strategic adjustments.

4.3 Technological Competition within the Framework of Political Sovereignty

Technological sovereignty has become a new focus of competition among countries, and enterprises are participating in the reconfiguration of rules through technological cooperation and standard setting. For instance, in the 5G field, China has promoted Polar codes as the control channel coding scheme through the "3GPP" standard organization, while enterprises have consolidated their technological advantages through cross-licensing of patents and the construction of open-source communities. In the field of artificial intelligence, the European Union has established a risk classification regulatory system through the "Artificial Intelligence Act", while enterprises meet compliance requirements through "explainable AI" and "ethical frameworks". The essence of this technological competition is that countries consolidate their political sovereignty through the export of technological rules, and enterprises achieve global market penetration through technological compliance.

5. The Optimization Path of the Political Trade-off Mechanism

5.1 Institutional Design at the State Level

Sovereign states need to balance security and development through multilateral mechanisms and domestic legislation. At the multilateral level, efforts should be made to promote WTO reform and the formulation of digital trade rules. For instance, China has included an e-commerce chapter in the RCEP to facilitate cross-border data flow. At the domestic level, the Export Control Law and the Data Security Law should be improved. For instance, China's Data Security Law has established a data classification and grading protection system, providing clear guidance for enterprises to comply with

regulations. Meanwhile, the state needs to guide enterprises to upgrade their technologies through industrial policies. For instance, Germany's "Industry 4.0" program promotes the digitalization of manufacturing through government subsidies.

5.2 Strategic Adjustments at the Enterprise Level

Enterprises need to build a three-in-one strategic system of "compliance - innovation - security". At the compliance level, a global compliance management system should be established. For instance, a certain multinational pharmaceutical company ensures the compliance of drug research and development through internal audits and employee training. At the innovation level, increase investment in research and development and promote cooperation between industry, academia and research institutions. For instance, TSMC has broken through the 3nm process technology through collaboration with universities. In terms of security, it is necessary to implement supply chain diversification and data localization. For instance, Apple has deepened its supply chain layout in China through the "Made in China 2025" plan. This strategic adjustment requires enterprises to transform compliance from a cost center to a value creation center.

5.3 Rule Reconstruction at the International Level

The state and enterprises need to jointly promote the transformation of international rules towards "inclusive security". On the one hand, the country needs to advocate "technological multilateralism" on platforms such as the United Nations and the G20, and oppose technological hegemony and unilateral sanctions. On the other hand, enterprises need to participate in rule-making through industry alliances and standard organizations. For instance, Huawei has been promoting the internationalization of 5G standards in 3GPP. The essence of this rule reconstruction lies in achieving a rebalancing of national interests and corporate interests through institutional power distribution.

6. Conclusion

The political trade-off mechanism between the interests of sovereign states and the cross-border compliance of enterprises is an inevitable outcome of the interweaving of globalization

and geopolitics. Sovereign states safeguard their own interests through legal regulation, economic security and political sovereignty, while enterprises achieve development through compliance innovation, strategic adjustment and rule participation. The essence of this trade-off mechanism is a dynamic game between state power and enterprise resilience. Its optimization path lies in the state guiding enterprise behavior through institutional design, and enterprises countering state constraints through strategic innovation, ultimately achieving the synergy between national security and enterprise development. In the future, as the technological revolution and the geopolitical landscape deepen, political weighing mechanisms will become more complex. However, "inclusive security" and "multilateralism" will remain the keys to breaking the deadlock.

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