



Sanctions, Conflicts, and Security Policy: Challenges and Opportunities for Brazilian Companies

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EXECUTIVE SUMMARY

The increasing use of economic sanctions and export controls has become a defining feature of contemporary geopolitical competition. As economic policy, national security, and technological development become more closely interconnected, governments are increasingly relying on regulatory and financial instruments to influence international economic behavior and advance strategic objectives.

The effectiveness of these measures is closely linked to the structure of the international financial system. In particular, the central role of the U.S. dollar in global transactions provides the United States with significant leverage to implement sanctions with extraterritorial effects, shaping the behavior of states, companies, and financial institutions operating across international markets.

At the same time, export controls have emerged as a key tool in the growing competition over strategic technologies. Restrictions on the transfer of advanced technologies and critical industrial inputs reflect broader concerns about technological leadership, economic security, and long-term strategic autonomy.

For middle powers and emerging economies, these dynamics create new policy and regulatory challenges. Navigating an international environment in which economic relations, technological cooperation, and financial integration are increasingly influenced by geopolitical considerations requires stronger regulatory awareness, closer coordination between governments and the private sector, and continuous monitoring of evolving sanctions and export control frameworks.

CONTEXT

The use of economic sanctions and export controls has become an increasingly prominent instrument of power projection in contemporary international politics. In a context marked by intensifying strategic competition among major powers, these mechanisms are frequently employed as alternatives to traditional military tools, seeking to influence state behavior, restrict the economic and technological capabilities of adversaries, and advance broader foreign policy objectives.

Over the past decades, the expansion of such measures has been closely linked to the structure of the international financial system and the dominant role played by certain currencies and financial institutions. This configuration has strengthened the capacity of some states to implement restrictions with extraterritorial effects, affecting not only the countries directly targeted but also companies, financial institutions, and production chains operating across different regions of the world.

At the same time, the growing use of sanctions and export controls has unfolded within an international environment characterized by economic fragmentation, technological competition, and the increasing securitization of economic relations. The intersection between national security, industrial policy, and economic regulation has become particularly visible in sectors considered strategic, including advanced technologies, energy, and digital infrastructure.

Within this evolving landscape, the implications of these measures extend beyond the relationships among the major powers directly involved. Middle powers and emerging economies are increasingly affected by the regulatory and economic consequences of sanctions regimes and export control policies. Understanding the logic, instruments, and potential impacts of these measures has therefore become essential for assessing regulatory risks and navigating a more complex and competitive international economic environment.

ECONOMIC SANCTIONS AS AN INSTRUMENT OF POWER IN UNITED STATES FOREIGN POLICY

Within the United States' foreign policy toolkit, economic sanctions have assumed a central role over the past decades. Positioned between diplomacy and the use of force, sanctions operate as coercive instruments designed to influence the behavior of states, political elites, and economic actors without resorting to direct military confrontation.

The growing reliance on sanctions reflects a broader shift toward economic statecraft as a key dimension of international strategy. In an environment where direct military confrontation between major powers entails significant risks, economic instruments have gained prominence as mechanisms capable of

imposing political and economic costs while limiting the likelihood of immediate escalation.

As a result, sanctions have been applied across a wide range of contexts, including responses to armed conflicts, nuclear proliferation, human rights concerns, and challenges to international norms. Their application has become increasingly frequent and, in many cases, more expansive in scope.

At the same time, the broader use of sanctions has generated debates regarding their long-term effectiveness and their implications for the international economic order. While sanctions can impose substantial economic pressure on targeted actors, their proliferation has also encouraged efforts to mitigate exposure to these mechanisms and to develop strategies aimed at reducing vulnerability to external financial restrictions.

Within this evolving context, economic sanctions remain a powerful yet contested instrument of foreign policy, illustrating the growing importance of economic tools in shaping contemporary geopolitical dynamics.

THE ROLE OF THE INTERNATIONAL FINANCIAL SYSTEM AND THE CENTRALITY OF THE DOLLAR

The effectiveness of sanctions policies is closely linked to the structure of the international financial system and, in particular, to the central role played by the US dollar in global transactions. Because a significant share of international trade, financial flows, and reserve assets is denominated in dollars, the United States retains considerable structural influence over global financial networks.

This position provides Washington with a unique capacity to influence the behavior of states, companies, and financial institutions operating internationally. Transactions conducted in dollars often pass through the American financial system at some stage, which allows US authorities to exert regulatory influence beyond their territorial jurisdiction.

As a result, entities operating in global markets frequently take US sanctions and export control regimes into account even when they have no direct presence in the United States. Companies and financial institutions may face complex compliance challenges when domestic regulations intersect with US regulatory frameworks. In practice, however, maintaining access to the US financial system and to dollar-denominated transactions often encourages adherence to these rules.

This dynamic has effectively extended the global reach of certain regulatory mechanisms, reinforcing the role of financial networks as instruments of strategic influence. At the same time, it has generated debates within the international system regarding the extraterritorial implications of sanctions and financial regulations.

In response, several countries have explored initiatives aimed at reducing exposure to these dynamics, including the development of alternative payment mechanisms, the expansion of transactions in local currencies, and the diversification of financial arrangements. While these efforts remain limited in scale, they reflect broader discussions about the resilience and long-term evolution of the current international financial architecture.

Despite these developments, the structural importance of the dollar continues to provide the United States with a powerful instrument for shaping global economic interactions.

ECONOMIC SECURITY, EXPORT CONTROLS, AND TECHNOLOGICAL COMPETITION

The growing integration between economic policy and national security has placed export controls at the center of contemporary strategic competition, particularly in sectors associated with advanced technologies. In recent years, export control regimes have increasingly been used not only to regulate trade in sensitive goods but also to protect strategic industries and limit the technological advancement of potential rivals.

Export controls restrict the transfer of specific technologies, components, software, or technical knowledge to foreign entities. While historically focused on military equipment and dual-use technologies, these measures have expanded to include sectors considered critical to national security and economic competitiveness.

Technologies such as microelectronics, advanced computing, artificial intelligence, and other high-value industrial inputs have become key targets of these regulatory frameworks. Control over these technologies is widely perceived as a central element of geopolitical power, given their implications for both economic performance and military capabilities.

Within this context, the concept of economic security has gained increasing prominence. Governments have sought to strengthen protections for strategic industries, technological ecosystems, and critical supply chains. As a result, policies related to trade regulation, industrial development, and investment screening have increasingly been framed within broader national security considerations.

At the same time, the implementation of export control regimes presents important challenges. Effective enforcement requires detailed knowledge of global supply chains, robust compliance mechanisms, and coordination among government agencies and private-sector actors. Because many advanced technologies are produced through highly internationalized production networks, cooperation with allied countries and partner economies is often necessary to ensure the effectiveness of these measures.

The growing use of export controls illustrates how the boundaries between economic policy, technological development, and national security have become progressively blurred in the contemporary international system.

INTERNATIONAL REACTIONS AND IMPLICATIONS FOR MIDDLE POWERS

The expansion of sanctions regimes and export control policies has generated significant reactions across the international system, particularly among middle powers and emerging economies. As these instruments increasingly shape global economic relations, countries that are not directly involved in major power rivalries often face complex political and economic trade-offs.

One visible response has been the search for mechanisms capable of reducing exposure to external financial pressure. Initiatives such as the diversification of foreign exchange reserves, the expansion of trade in local currencies, and the exploration of alternative financial arrangements have been discussed as potential strategies to mitigate vulnerability to sanctions-related disruptions.

At the same time, these dynamics have increased the regulatory and strategic challenges faced by countries positioned between major geopolitical blocs. Governments and companies must navigate an environment in which economic relations, technological cooperation, and financial integration are increasingly influenced by strategic considerations.

For countries with diversified trade relations and globally integrated economies, this situation can generate significant uncertainty. Companies operating across international markets may face growing compliance risks, particularly when supply chains intersect with jurisdictions subject to sanctions or export control regimes. Strengthening internal compliance mechanisms and improving awareness of geopolitical risks have therefore become increasingly important.

For emerging economies maintaining economic ties with multiple global partners, these developments may also affect access to technology, investment flows, and supply chain structures. As economic relations become more closely intertwined with geopolitical dynamics, both governments and private-sector actors must adapt to an international environment where economic policy and strategic considerations are increasingly interconnected.

STRATEGIC RECOMMENDATIONS

In this context, several priority areas emerge for countries seeking to reduce regulatory risks and strengthen their capacity to operate within a more complex international economic environment.

- **Strengthening regulatory awareness and compliance capacity:** As sanctions and export control regimes become more complex, companies operating internationally must develop stronger internal compliance

mechanisms. Greater familiarity with regulatory frameworks governing financial transactions, trade flows, and technology transfers is increasingly necessary, particularly for firms integrated into global supply chains.

- **Enhancing monitoring of geopolitical and regulatory developments:** The growing intersection between geopolitics and economic regulation requires governments and private-sector actors to closely monitor developments in sanctions policies, financial regulations, and technological restrictions. Strengthening institutional capacity to assess these trends can help anticipate potential disruptions to trade, investment flows, and access to strategic technologies.
- **Promoting dialogue between government and the private sector:** Given the technical complexity of sanctions regimes and export controls, closer cooperation between public authorities and private-sector actors is essential. Structured dialogue can help align national economic strategies with evolving regulatory dynamics and improve awareness of supply chain vulnerabilities.
- **Diversifying economic and financial partnerships:** The expansion of sanctions regimes has encouraged countries to reassess their degree of dependence on specific financial channels, markets, or technological suppliers. Diversifying economic partnerships and strengthening regional cooperation may contribute to greater resilience in a more uncertain international environment.
- **Developing national expertise on sanctions and export control regimes:** Finally, building domestic expertise on the functioning and implications of sanctions systems and export control regulations is essential. Governments, research institutions, and think tanks can contribute by expanding analytical capacity and fostering informed debate on the implications of these instruments for national development strategies and economic competitiveness.