International Relations · GS - II

Examine how the use of financial sanctions, export controls and extraterritorial jurisdiction has transformed the relationship between national security and international trade.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 26/11/2026	GS - II	International Relations

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Economic interdependence, national security, financial networks, technology controls, extraterritorial jurisdiction, sovereignty concerns, multilateral rules

Model Answer

Introduction

Globalisation has integrated financial systems, technology markets and supply chains. However, states increasingly use economic and legal instruments to pursue national security objectives, making international commerce an arena of strategic competition.

Changing Nature of Economic Statecraft

1. **Financial sanctions:** Restrictions on banking transactions and access to international financial networks can limit the ability of targeted entities to conduct cross-border business.

2. **Technology export controls:** Restrictions on advanced semiconductors, artificial intelligence components and specialised equipment seek to prevent sensitive technologies from reaching designated entities.

3. **Extraterritorial jurisdiction:** Domestic laws may affect foreign companies and individuals when transactions involve a country's financial institutions, territory or regulated technologies. This creates overlapping legal

jurisdictions.

4. **Strategic competition:** The Huawei case illustrates how allegations involving sanctions violations and financial misrepresentation can intersect with broader concerns about technological competition and national security.

Implications for International Trade

1. Companies face higher compliance costs, legal uncertainty and the possibility of losing access to major markets.

2. Technology restrictions can fragment global supply chains and encourage countries to develop domestic alternatives.

3. Unilateral enforcement measures may generate diplomatic tensions and concerns about national sovereignty.

4. Developing economies may face pressure to align their technology and trade policies with competing geopolitical blocs.

Conclusion

Economic security has become inseparable from international trade policy. Transparent enforcement, proportionality, due process and multilateral cooperation are essential to prevent legitimate security concerns from undermining an open and predictable global trading system.

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