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DAILY CURRENT AFFAIRS DATED 21.02.2026

GS Paper II: Current Affairs

1. Artificial Intelligence and the Changing Relationship Between State and Capital

a. Introduction

Artificial Intelligence (AI) is not merely a tool for automation or digital efficiency. It is transforming the structure of modern capitalism and redefining the relationship between governments (the state) and corporations (capital).

State–capital relations refer to how governments and large businesses interact in shaping economic development, regulatory frameworks, and political authority. During the era of globalisation, capital gained mobility and bargaining power. In the AI era, however, this balance is shifting once again.

b. State–Capital Relations in the Era of Globalisation

From the 1990s onward, economic globalisation altered the balance between states and markets.

i. Liberalisation and Deregulation

- Reduction of trade barriers and capital controls.
- Privatisation of public enterprises.
- Relaxation of investment and labour regulations.

Corporations became highly mobile. Manufacturing and services could shift across borders in search of lower costs and favourable taxation.

ii. Enhanced Corporate Bargaining Power

- Governments competed to attract foreign investment.
- Tax concessions and policy relaxations increased.
- States often adjusted policies to suit multinational firms.

In many sectors, markets appeared to dominate states because capital was “footloose” i.e., easily relocatable.

c. Why Artificial Intelligence Changes the Equation

AI requires heavy physical and technological infrastructure.

i. Foundational Requirements

- Large data centres requiring stable electricity supply.
- Advanced semiconductors and fabrication plants.
- Rare earth minerals and strategic supply chains.
- High-speed telecommunications networks.
- Highly skilled engineers and research ecosystems.

These assets are geographically embedded and cannot be easily relocated. For instance, semiconductor fabrication plants require billions of dollars in investment and operate under strict national regulations.

Thus, AI capital is less mobile compared to earlier forms of globalised capital.

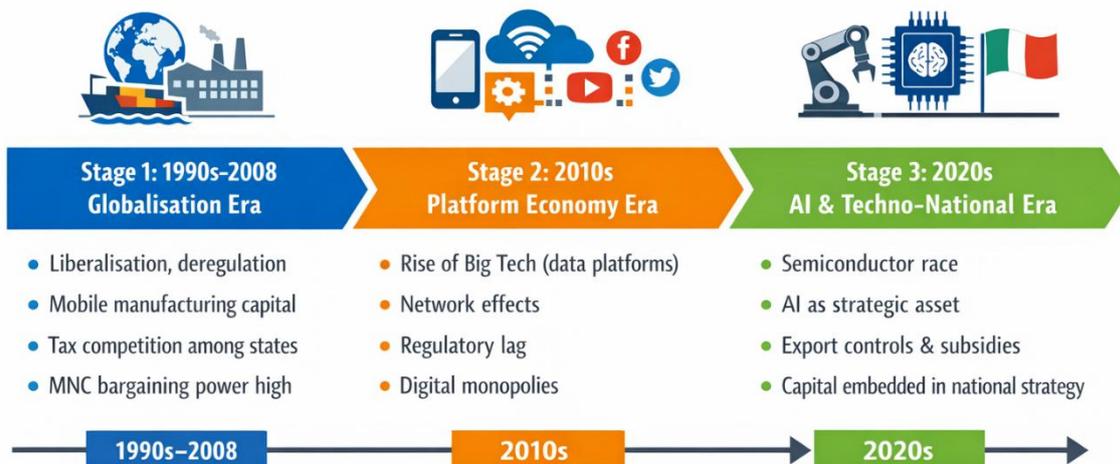
ii. Strategic and Security Dimensions

- Defence systems and autonomous weapons.

- Cybersecurity architecture.
- Intelligence and surveillance systems.
- Critical infrastructure management.

Because AI underpins national security, governments treat leading AI firms as strategic assets rather than ordinary private enterprises.

Evolution of State–Capital Relations



d. From Market Coordination to Algorithmic Systems

Classical economic theory emphasised decentralised markets guided by price signals. AI introduces algorithmic coordination.

i. Functions of AI Systems

- Predict consumer behaviour.
- Optimise logistics and supply chains.
- Allocate credit and insurance risk.
- Influence labour markets and hiring decisions.

Data becomes as significant as price in shaping economic outcomes.

ii. Corporate Dependence on the State

- Regulatory approvals and compliance clearances.
- Access to public datasets.
- Cybersecurity and national security permissions.

Governments rely on corporate innovation, while corporations depend on state protection and industrial policy support. A symbiotic relationship emerges.

e. Rise of Techno-Nationalism

Techno-nationalism refers to the idea that technological capability is central to national power and sovereignty.

i. Key Areas of Competition

- Semiconductor manufacturing.
- Advanced computing power.
- AI model development.
- Control over rare earth minerals.

Governments now provide subsidies, impose export controls, and create technological alliances.

ii. Shift in Policy Priorities

Economic growth remains important, but national security and strategic autonomy increasingly shape economic decisions. Capital is embedded within national strategies rather than functioning as a detached global force.

f. Blurring of Public and Private Power

AI technologies often serve both civilian and military purposes.

Convergence of Roles

- Cloud computing supports e-commerce and defence logistics.
- Facial recognition aids both policing and commercial security.
- Predictive analytics enhances governance and private marketing.

Private corporations influence public governance, while governments provide strategic direction and regulatory protection.

This convergence raises concerns regarding accountability and oversight.

g. Concentration of Capital and Market Structure

AI development requires enormous financial investment.

i. High Entry Barriers

- Massive computational resources.
- Specialised hardware.
- Advanced research and development capacity.

These barriers favour large corporations with deep capital reserves.

ii. Risks of Oligopoly

- Market concentration in a few dominant firms.
- Reduced competition.
- Greater corporate influence over regulation.

Such concentration may distort both markets and democratic processes if not properly regulated.

h. Surveillance, Data and Civil Liberties

AI enhances state capacity for data collection and predictive monitoring.

Expanding Surveillance Capacity

- Facial recognition systems.

- Predictive policing algorithms.
- Large-scale data analytics platforms.

While these tools may improve administrative efficiency and security, they raise concerns about privacy, freedom of expression and misuse of personal data.

Strong legal safeguards and transparent regulatory frameworks are essential.

i. Implications for India

India must navigate both opportunities and risks in the AI era.

i. Key Focus Areas

- Strengthening semiconductor manufacturing capacity.
- Investing in domestic AI research and innovation.
- Expanding digital infrastructure.
- Developing skilled human capital.

Strategic technological autonomy is essential in a techno-national environment.

ii. Institutional Requirements

- Robust data protection legislation.
- Transparent regulatory mechanisms.
- Effective competition policy.
- Parliamentary and judicial oversight.

Technological progress must align with constitutional values of liberty, equality and accountability.

Conclusion

Artificial Intelligence is reshaping capitalism and redefining the interaction between states and corporations. Unlike earlier phases of globalisation, where mobile capital appeared dominant, the AI era embeds capital within national strategic frameworks.

This shift may strengthen strategic capacity and innovation. However, it also carries risks of power concentration, surveillance expansion and inequality.

The central challenge is to harness AI for development and security while preserving democratic accountability and constitutional freedoms. The manner in which states manage this new balance will shape the future political economy of the twenty-first century.

GS Paper II: International Relations

2. Pax Silica Initiative – India Joins a U.S.-Led Technology Alliance

a. Introduction

In the twenty-first century, control over technology and supply chains has become as important as control over territory or energy resources. Semiconductors power smartphones, defence systems and Artificial Intelligence. Rare earth elements are essential for electric vehicles, renewable energy and advanced weapons.

India's decision to join the Pax Silica Initiative, a U.S.-led technology alliance, reflects this new geopolitical reality. The initiative seeks to build resilient supply chains for semiconductors and critical minerals, reducing overdependence on China.

Thus, Pax Silica is not merely an economic arrangement; it is part of a larger transformation in global power politics where economic security and national security are deeply interconnected.



b. Strategic Background: From Cost Efficiency to Security Concerns

i. Globalisation and Concentrated Dependencies

For nearly three decades, globalisation prioritised cost efficiency. Production shifted to countries offering cheap labour and large-scale infrastructure. China emerged as the “factory of the world.”

However, this created concentrated dependencies:

- China dominates rare earth mining and refining.
- It plays a major role in semiconductor supply chains.
- It controls significant portions of battery and clean energy inputs.

Such concentration makes global supply chains vulnerable to geopolitical tensions, export restrictions and trade conflicts.

ii. Rise of Friend-Shoring

In response, countries have adopted friend-shoring — relocating supply chains to trusted geopolitical partners to reduce strategic risk.

- It reduces exposure to coercion.
- It strengthens partnerships among like-minded states.
- It builds redundancy into supply networks.

Pax Silica represents an institutionalised form of friend-shoring.

This shift marks the beginning of a new era where resilience, not just efficiency, drives economic policy.

c. Key Features of the Pax Silica Initiative

i. Nature and Membership

Pax Silica is a multilateral technology and supply chain alliance led by the United States. Members include:

- United States
- India
- Canada
- Japan
- South Korea
- European Union

The grouping brings together technologically advanced and resource-rich economies.

ii. Core Areas of Cooperation

The initiative focuses on:

- Semiconductors and advanced electronics
- Rare earth elements and critical minerals
- Clean energy inputs
- Strategic technologies with national security implications

Its central aim is to prevent “weaponised dependency.”

Weaponised dependency refers to a situation in which economic interdependence is used as a tool of political coercion, particularly when a dominant supplier restricts access to critical goods to gain strategic leverage.

Thus, Pax Silica seeks to build secure, diversified and politically reliable supply chains.

d. Why Critical Minerals Matter

i. Understanding Critical Minerals

Critical minerals are those that are:

- Essential for modern technology
- Difficult to substitute
- Vulnerable to supply disruption

Examples include lithium, cobalt, nickel, rare earth elements, gallium and germanium.

ii. Strategic Applications

These minerals are indispensable for:

- Semiconductor manufacturing
- Electric vehicles and battery storage
- Wind turbines and solar panels
- Defence electronics and missile systems
- Artificial Intelligence and high-performance computing

India recognised this importance through:

- The 2023 Critical Minerals Strategy
- Creation of Khanij Bidesh India Limited for overseas mineral acquisition

Pax Silica complements these domestic efforts by integrating India into global supply networks.

e. Significance for India

i. Strengthening Strategic Autonomy

Strategic autonomy means the ability to pursue national interests without excessive external dependence.

- Diversified supply chains reduce vulnerability.
- India gains bargaining power in negotiations.
- It enhances long-term economic security.

ii. Boost to the Semiconductor Ecosystem

India's Semiconductor Mission aims to develop fabrication and packaging facilities.

- Semiconductor production depends on secure mineral access.
- Participation improves integration into trusted networks.
- It encourages foreign investment and technology transfer.

iii. Reinforcing Indo-Pacific Partnerships

Pax Silica aligns with:

- The Quad framework
- Indo-Pacific supply chain initiatives
- Democratic technology coalitions

This deepens India's engagement with like-minded partners.

iv. Protecting Critical Infrastructure

Secure supply chains protect:

- Telecommunications systems
- Digital infrastructure
- Renewable energy grids

Thus, economic resilience strengthens national security.

f. Challenges and Concerns

i. Managing the China Factor

- China remains a major trading partner.
- The initiative may be perceived as counterbalancing China.
- Diplomatic balancing will be necessary.

ii. Limited Domestic Processing Capacity

India's refining and processing capacity is still limited.

- Rare earth processing requires advanced technology.
- It involves high environmental costs.
- Infrastructure gaps remain significant.

iii. Technological Gaps

- Advanced semiconductor fabrication is concentrated in a few countries.
- India's ecosystem is still developing.
- Sustained R&D investment is essential.

iv. Environmental Implications

Mining can cause:

- Soil degradation
- Water contamination
- Community displacement

Hence, environmental safeguards must accompany expansion.

g. Global Comparative Context

Pax Silica is part of a wider global trend toward technology-driven alliances.

- **United States:** CHIPS and Science Act to revive domestic semiconductor production.
- **European Union:** Critical Raw Materials Act to diversify sourcing.
- **Japan:** Post-2010 strategy after rare earth export restrictions.
- **Quad:** Emphasis on Indo-Pacific supply chain resilience.

India's participation situates it within this emerging network of geo-economic coalitions.

h. From Globalisation to Techno-Nationalism

i. Changing Supply Chain Philosophy

- Earlier model: Just-in-time production — minimal inventory, maximum efficiency.
- Emerging model: Just-in-case production — built-in redundancy for shocks.

ii. Rise of Techno-Nationalism

Techno-nationalism refers to the use of technology policy as an instrument of national power.

- States actively shape supply chains.
- Technology becomes a strategic asset.
- Economic policy merges with security policy.

Pax Silica reflects this transition from efficiency-driven globalisation to resilience-oriented geo-economics.

i. Way Forward for India

i. Strengthen Domestic Mining and Exploration

- Faster regulatory clearances
- Transparent auctions
- Investment-friendly policies

ii. Focus on Value Addition

- Move from extraction to refining.
- Develop fabrication and manufacturing capacity.
- Encourage private-public partnerships.

iii. Ensure Sustainable Mining

- Strict environmental standards
- Community participation
- ESG compliance

iv. Invest in Research and Innovation

- Material science research

- Recycling technologies
- Development of substitutes

v. Maintain Multi-Alignment

- Engage diverse partners
- Avoid rigid bloc politics
- Safeguard strategic autonomy

Conclusion

India's entry into Pax Silica represents a strategic recalibration in a world where minerals and microchips shape national power. By diversifying supply chains and strengthening trusted partnerships, India enhances its semiconductor ecosystem, clean energy transition and economic security.

The broader transformation is clear: the global economy is moving from efficiency-driven globalisation to security-oriented geo-economics. In this evolving landscape, resilience is no longer optional — it is a core pillar of sovereignty and strategic autonomy.

Reader's Note — About This Current Affairs Compilation

Dear Aspirant,

This document is part of the PrepAlpine Current Affairs Series — designed to bring clarity, structure, and precision to your daily UPSC learning.

While every effort has been made to balance depth with brevity, please keep the following in mind:

1. Orientation & Purpose

This compilation is curated primarily from the UPSC Mains perspective — with emphasis on conceptual clarity, analytical depth, and interlinkages across GS papers.

However, the PrepAlpine team is simultaneously developing a dedicated Prelims-focused Current Affairs Series, designed for:

- factual coverage
- data recall
- Prelims-style MCQs
- objective pattern analysis

This Prelims Edition will be released separately as a standalone publication.

2. Content Length

Some sections may feel shorter or longer depending on topic relevance and news density. To fit your personal preference, you may freely resize or summarize sections using any LLM tool (ChatGPT, Gemini, Claude, etc.) at your convenience.

3. Format Flexibility

The formatting combines:

- paragraphs
- lists
- tables
- visual cues

—all optimised for retention.

If you prefer a specific style (lists → paras, paras → tables, etc.), feel free to convert using any free LLM.

4. Monthly Current Affairs Release

The complete Monthly Current Affairs Module will be released soon, optimized to a compact 100–150 pages — comprehensive yet concise, exam-ready, and revision-efficient.

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