

# PSIR & GS-2 Daily Brief

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# Article - 1 : The unequal cost of Global Monetary Policy Tightening

## The Unequal Cost of Global Monetary Policy Tightening

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Expert Speak Young Voices

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*As rich-world rate hikes tame inflation at home, they drain capital from vulnerable economies abroad, revealing a global system where decisions are national, but consequences are global*



Author



No image available

**Context** Interest-rate hikes by rich countries control inflation at home but create debt, capital flight & governance stress for developing countries.

## Facts

■ US Federal reserve raised rates 11 times from 5.25 to 5.50%.

■ Developing countries paid \$1.4 trillion in external debt service in 2023.

■ Emerging markets and developing economies have 60% of global GDP but 40% voting power in the IMF.

## Analytical Crux

The monetary sovereignty of rich countries creates real costs for poorer countries when capital is globally mobile. Developing countries suffer not because of domestic mismanagement, but because the global financial system transmits shocks unequally. The IMF & debt governance system reflect a deep power imbalance: those who suffer most have the least voice. Globalisation has integrated financial markets but has not created democratic global governance.

## Verbatim Quotes

"In today's interconnected financial system, capital moves fast and plays no favourites. Global monetary policy crosses borders. Global governance does not." - Dhani Mehroishi

"When all the major economies tighten at once, there is no cushion, no alternative & no escape. The case for reform is not that anyone made the wrong call. It is that the rules were written for a different world." - Dhani Mehroishi

# Article - 2 : At Beijing summit, both Trump, Xi got what they came for

## At Beijing summit, both Trump, Xi got what they came for. But Xi got a bit more

**D**ONALD TRUMP'S state visit to China was a performance of diplomacy. Carefully choreographed, heavy on optics, and light on binding detail. Both sides were eager to show progress: Trump called the visit "very successful", Xi Jinping declared it "historic". The Chinese catered to Trump's weakness for spectacle with the state banquet, the parting tea, and Xi accompanying Trump to the Temple of Heaven — but the substance, as expected, was meagre. Significantly, Beijing, not Washington, controlled the narrative throughout.

Trump needed a foreign-policy "win" to serve as a distraction from the political headwinds of the Iran war, and to impress markets and domestic constituencies. Xi needed validation: That China had weathered the tariff storm, emerged from geopolitical friction with its strategic position intact, and was now being courted as a peer by the US, something Chinese leaders have long sought. Both got what they came for. But Xi got a little more.

The new formulation — "constructive strategic stability" — for the bilateral relationship, described by Foreign Minister Wang Yi as "the most important political consensus" of the summit, is Beijing's handiwork. It is a deliberate conceptual move to displace the American vocabulary of "strategic competition" with a Chinese-preferred notion of long-term coexistence with guardrails. Beijing acknowledges the relationship as competitive but talks about keeping it within acceptable limits. Xi's four-part elaboration — "positive stability with cooperation as the mainstay, healthy stability with competition within proper limits, constant stability with manageable differences, and lasting stability with expectable peace" — is designed to lock in the post-

Busan *détente*.

Trump, characteristically, reached for a simpler frame: "It's the two great countries... I call it the G-2." The image of two great powers on equal footing was exactly what Xi had engineered. Both sides signalled a willingness to manage the relationship through summity and bilateral validation rather than the harder work of resolving underlying disputes.

The tale of two readouts illuminates how much remains unresolved. The White House summary emphasised commercial commitments — Boeing aircraft orders, agricultural purchases, market access, Chinese investments — and agreement that the Strait of Hormuz must remain open and not be militarised. The Chinese readout was cautious and silent on most US specifics. Neither readout mentioned China's state-tutored industrial overcapacity and other systemic differences. Most structural problems were kept off the table, allowing China to preserve its policy space.

But Taiwan was an exception. The most striking moment was Xi's Taiwan warning, delivered in a highly staged, public setting carried immediately by state media. If the Taiwan question is handled "poorly", Xi said, the two countries risk "clashes and even conflicts". Taiwan was absent from the US readout entirely. On Air Force One, Trump said he made "no commitment either way" on the pending \$14 billion arms package and called it "a very good negotiating chip". When a reporter invoked Ronald Reagan's assurance to Taiwan that no president would consult Chinese leaders on arms sales, Trump dismissed the premise. Decades of US commitment on "Six Assurances" to Taiwan were



ASHOK K. KANTHA

China has gained relative to the US and grown more confident despite its economic headwinds. It has the tools and the strategic discipline to manage escalation dynamics

waved aside.

On Iran and maritime security, the summit produced a measure of concrete, if still qualified, convergence. Both leaders agreed that the Strait of Hormuz must remain open. According to the US readout, Xi expressed interest in purchasing more American oil, agreed that Iran cannot acquire a nuclear weapon and committed not to sell weapons to Iran. The Chinese readout was circumspect, and the gap between Washington's public optimism and Beijing's operational delivery has a long history. The continued closure of the Strait is hurting China, but it is disinclined to deploy its leverage with Iran beyond a point.

On technology and AI — perhaps the most consequential long-term dimension of the rivalry — the summit was studded with ambiguity. Trump confirmed that chip exports came up, and that Xi told him China wants to make its own: A candid declaration of an indigenisation agenda. Licences for 750,000 H200 Nvidia chips remain stalled on the Chinese side, even as the US has cleared sales. Both sides have frozen new technology controls since the October 2025 truce, a freeze that disproportionately benefits Beijing. An AI dialogue was agreed in principle; its content remains undefined.

Conspicuously absent from both readouts were rare earths and export controls, despite their centrality to the current *détente*. China's weaponisation of critical mineral supply chains — shutting off rare-earth exports last year and forcing Washington to stand down from tariff escalation — is the background condition for the Busan truce, reaffirmed in Beijing. That leverage is carefully maintained, and a China-resilient rare-earth supply

chain remains years away.

The larger truth is structural and enduring. China has gained relative to the US and grown more confident despite its economic headwinds. It has the tools, patience and the strategic discipline to manage escalation dynamics. China is ready for long-term, indefinite competition. As Da Wei of Tsinghua University observed: "The US side looked a little passive. The Chinese side prepared very well." Trump's instinct for spectacle suits Beijing well: It allows Xi to accumulate the symbolic validation of peer-to-peer summity without meaningful concessions. The summit was, in that sense, a tactical triumph for China.

For India, the summit is a sobering signal. The immediate effect — reduced risk of sudden great-power crises, some easing of energy market pressures — is modestly positive. But the structural implications are more uncomfortable. The G2 "overlay" — not a formal duopoly, but the atmospheric effect of two great powers coordinating — narrows the manoeuvring space available to other major powers, India included. A Beijing that reads India's interest in improving bilateral relations as a result of India's declining importance in the US strategic calculus has less incentive to offer meaningful concessions on unresolved issues.

The visit is a continuation of a tactical *détente*, not a strategic reconciliation. By agreeing to a rhetorical framework of "strategic stability", the US and China are buying time even as they know that strategic rivalry is baked in the system. Yet, it is advantage Beijing.

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## Context

At the Trump-Xi Beijing summit both sides gained optics, but China gained greater symbolic and strategic advantage.

## Facts

Wang Yi - called summit as "constructive strategic stability" i.e. shift from America's "strategic competition" to China's idea of managed coexistence.

Trump used the phrase "G-2". Taiwan was absent from the US readout.

## Analytical Crux

Diplomacy is about narrative control, not just agreements. China used the summit to gain recognition as an equal pole of power while avoiding major concessions. The U.S. gained optics, but China shaped the language, tone & strategic frame of the meeting. For India, the concern is that a loose G-2 understanding can reduce the space for other major powers and make China less willing to compromise on regional issues.

## Verbatim Quotes

“The image of two great powers on equal footing was exactly what Xi had engineered. The visit is a continuation of a tactic detente, not a strategic reconciliation.”

“Decades of US commitment on ‘Six Assurances’ to Taiwan were waved aside, allowing China to preserve its policy space.”

- Ashok K Kantha

# Article - 3 : One - horse races are no triumph for democracy

## One-horse races are no triumph for democracy

**T**here was an industrialist whose company was doing exceptionally well. In a decade since its inception, it captured over 40% of the market share. When I asked him, "Having reached thus far, what do you perceive as your biggest challenge going forward?", he paused for a while, his eyes gazing into the distant future, and replied gravely: "Lack of competition."

Ask cricketing legends who have been successful batsmen and they will tell you that their finest innings were those played against formidable bowling attacks, not the centuries scored against minnows. Even spectators enjoy a seesaw, hard-fought contest more than a tame one-sided affair, even if it involves their favourite player trouncing a neophyte.

As in business and sports, competition is the haemoglobin of a democracy. It gives meaning to the precept of "rule by the people" by allowing citizens to "fire" incumbents and choose alternatives, thereby liberating them from the TINA ("there is no alternative") trap. However, that presupposes the existence of rivals with the capacity to contest, and challengers who aspire to win against the odds because they believe in the fairness of the system.

### Mandates require genuine contests

It is ironic that the rules of the game, as far as elections are concerned, do not consider competition essential to an electoral outcome. Section 53(3) of the Representation of the People Act, 1951, provides for "unopposed" winners, which means that competition takes place only when enough players enter the fray. Otherwise, one can have a contestant but no contest, a winner without a game, and a people's representative without a single vote cast in his favour – a walkover "killing" both the game and its spirit.

For a player to tout his victory there should have been a contest. For a government to claim legitimacy, the electorate must believe that those elected 'earned' (pun unintended) their position through a fair process. You can win power without a contest; not a mandate. Competition also gives 'losers' hope that they can try to win in the future, making them accept fair electoral outcomes. Peaceful transition of power is one of the healthiest achievements of any electoral democracy.

Competition and contestation enable differing ideologies and social classes to flourish. Going by the economic logic of competition breeding efficiency, it would be reasonable to expect political parties to refine their policies as opponents always look to highlight failures.



**Ashok Lavasa**

Former Election Commissioner of India and former Union Finance Secretary

Democracy demands not merely elections, but also meaningful and fair competition

Political scientist Robert Dahl referred to a system with high participation but low contestation (like one-party States with high voter turnout) as a "plebiscitary autocracy" rather than a true democracy.

However, competition also presupposes a level playing field and a neutral referee to ensure that. The absence of either tilts the scales against challengers, minimising their chances of success while also denting their morale and undermining the people's confidence. In fact, the partisanship of a referee tends to rob the victor of the sweet taste of success, even if deserved. One might be seeded higher, have played better than the opponent, enjoy spectators' support, and even deserve to win, but if the referee is seen as partial, the triumph appears tainted.

### In West Bengal

Take the example of the West Bengal Assembly elections. Anti-incumbency could well have influenced the voters' choice, and the winning party may have run an effective campaign for its resounding victory. And yet, its performance stands tarnished by accusations of favouritism against the constitutionally designated umpire mandated to provide the "superintendence, direction, and control" of the electoral process.

The outcome is being linked to the Special Intensive Revision (SIR) of electoral rolls (ER), and analysts have presented constituency-wise data showing deletions of electors that exceed the victory margins, suggesting that the result might have been different but for the SIR.

That the SIR was unwarranted is established by the inability of the process to identify those "ineligible" in terms of Article 326, which was the Election Commission of India (ECI)'s war cry when it commenced the SIR in Bihar in June 2025. Neither at the end of the Bihar SIR nor for the States in the second round has the ECI released figures on the "ineligible" electors weeded out for not meeting the eligibility conditions under Article 326. There have, no doubt, been deletions through the SIR, but these pertain to "permanently shifted, dead, or duplicate" entries, which could have been removed through the normal revision process mandated before every poll.

What we had instead in West Bengal was over 60 lakh electors included in the electoral rolls under the "under adjudication" category, with 27.16 lakh of them deleted after a lightning exercise carried out by judicial officers hastily appointed by the Supreme Court of India. Over 700 judicial officers sprinted through a marathon in their 'supreme' effort to accomplish the impossible task of disposing these cases in a short

span of time. Those whose claims were rejected were asked to appear before non-existent Appellate Tribunals.

How, when, and even whether their appeals will be heard is hard to tell, going by the experience of those placed on the doubtful voters (D-voter) list a few years ago in Assam. No official data is in the public domain to indicate whether their voting rights have been restored or whether they remain in limbo. Soon, the 27 lakh affected in West Bengal may join those "missing in action". The cruel irony is that the ECI excluded Assam from the current SIR process, even though the National Register of Citizens prepared there a few years ago classified over 19 lakh people as "non-citizens", yet their voting rights remain unaffected.

### A neutrality that faces scrutiny

The ECI has invited an indelible taint by engineering a system that made such omission possible under its 'superintendence'. What sanctity does its slogan, "No voter to be left behind", hold if 27 lakh electors were treated as jetsam? How could the ECI "direct" the use of the illogical "logical discrepancy" tool that created discrepancies of its own? Why did it allow the legitimate functions of the Electoral Registration Officer to be exercised by a system beyond its "control"? Why did it announce the election schedule if it was not confident of finalising the electoral rolls on time? Why did it abdicate the legal provision that allowed the existing rolls to remain valid in the case of "under adjudication" electors who could not go through the full process because of a paucity of time? Why did the ECI not seek the Court's permission to defer the schedule when a mandatory process could not be completed? That the Court did not think it worthwhile to ask the ECI to "tarry a little", and was willing to "suspend" the voting rights of 27 lakh electors, is inexplicable and unfortunate.

With the gradual fading away of political rivals in the States and at the national level, will we witness more "victories" without a fight because the arena is either bereft of competitors, the challengers are too weak, or the umpire's decisions tilt the balance? Interestingly, the umpire himself would become an "extra" if there were no competition. Neither the "pathbreaking" constitutional reform of One Nation, One Election nor the idea of an Opposition-*mukt* Bharat is aimed at fostering competition, and that does not augur well. There will be little thrill left in a one-horse race.

That it strikes at the very roots of the democratic character of the nation may be a minor matter.

## Context Democracy

needs not just elections, but real competition, a level playing field and a neutral referee.

## Facts

Section 53(3), RPA 1951 permits unopposed winners.

Robert Dahl called high participation with low contestation a "plebiscitary autocracy."

## Analytical Crux

Electoral democracy becomes weak when contestation is hollowed out. One can win power without a contest but not a mandate. A mandate is morally stronger when citizens have a real choice and the challenger believes the system is fair. The Election Commission is not merely an administrative body; it is the referee that gives legitimacy to democratic competition.

## Verbatim Quotes

“Competition is the haemoglobin of a democracy. It presupposes a level playing field and a neutral referee to ensure that. If the referee is seen as partial, the triumph appears tainted.”

— Ashok Lavasa

- **GS-II 2025:** “Discuss the ‘corrupt practices’ for the purpose of the Representation of the People Act, 1951. Analyze whether the increase in the assets of the legislators and/or their associates, disproportionate to their known sources of income, would constitute ‘undue influence’ and consequently a corrupt practice.”
- **GS-II 2025:** “‘The reform process in the United Nations remains unresolved, because of the delicate imbalance of East and West and entanglement of the USA vs. Russo-Chinese alliance.’ Examine and critically evaluate the East-West policy confrontations in this regard.”
- **PSIR 2024:** “‘Nothing is going to move within the WTO negotiations unless India is on board.’ Discuss the main reasons behind India's increased clout in the WTO.”
- **PSIR 2024:** “Discuss the potential role that India could play as the leader of the Global South in realising the goal of establishing a new international economic order in the 21st century.”
- **PSIR 2023:** “Critically examine the impact of Globalisation on the developing countries of the world.”
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