



CURRENT AFFAIRS



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IMPORTED INFLATION

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS "IMPORTED INFLATION". THIS TOPIC IS RELEVANT IN THE "ECONOMY" SECTION OF GS3 IN THE UPSC CSE EXAM.

WHY IN THE NEWS?

Recently, Asian Development Bank highlighted that India could face Imported inflation and the depreciation of rupee due to global conflicts happening in Ukraine and Middle east.

WHAT IS IMPORTED INFLATION?

Imported inflation refers to the **increase in domestic prices of goods and services caused by the rising cost of imported inputs** or finished products. It occurs when a country's currency depreciates relative to the currencies of its trading partners or when global commodity prices rise.

For example, if the cost of imported oil rises, it can lead to higher transportation costs, which may then translate into higher prices for various goods and services throughout the economy.

FACTORS WHICH CONTRIBUTE FOR IMPORTED INFLATION

Several factors can contribute to imported inflation:

- Exchange Rate Fluctuations:** can increase the cost of imported goods and services. If a country's currency depreciates relative to the currencies of its trading partners, the cost of imports increases, leading to higher prices for imported products. This phenomenon is particularly relevant for countries that heavily rely on imports for consumer goods, raw materials, or intermediate inputs. For example recent inflation in India because of U.S. bank rate hikes.
- Global Commodity Prices:** Many countries rely on imported commodities such as oil, metals, and agricultural products. Changes in global commodity prices can directly influence the cost of imports and subsequently affect domestic inflation. For instance, a surge in oil prices can lead to higher transportation costs and production expenses, resulting in increased prices for various goods and services.
- Trade Policies and Tariffs:** Trade policies, including tariffs and quotas, can affect the cost of imports. Imposition of tariffs on imported goods raises their prices, leading to inflationary pressures. Additionally, retaliatory tariffs between trading partners can disrupt supply chains and increase costs for businesses, ultimately contributing to imported inflation.

4. **Supply Chain Disruptions:** Disruptions in supply chains globally, such as natural disasters, geopolitical tensions, or pandemics, can lead to shortages of goods and services. When demand is higher than supply, prices rise, contributing to imported inflation. Supply chain disruptions can also increase transportation and logistics costs, further exacerbating inflationary pressures.
5. **Domestic Demand for Imports:** Strong domestic demand for imported goods and services can drive up their prices, especially if supply cannot keep pace with demand. This situation can occur during periods of robust economic growth or when consumers prefer imported products due to quality or brand preferences.
6. **Imported Wage Pressures:** In some cases, imported inflation can also result from wage pressures in other countries. If labor costs increase in key exporting countries, the prices of imported goods produced in those countries may rise, contributing to inflation in importing countries.

WHAT STEPS CAN WE TAKE?

Addressing imported inflation requires a combination of monetary, fiscal, and trade policies. Here are some strategies that policymakers can employ to tackle imported inflation:

1. **Monetary Policy:** Central banks can use monetary policy tools, such as interest rate adjustments, to manage inflationary pressures stemming from imported inflation. If imported inflation becomes a significant concern, central banks may raise interest rates to reduce domestic demand and dampen inflationary pressures. Conversely, if the economy is experiencing other headwinds, central banks may choose to maintain accommodative monetary policy while closely monitoring inflation dynamics.
2. **Exchange Rate Management:** Governments and central banks can intervene in currency markets to stabilize exchange rates and mitigate the impact of currency depreciation on imported inflation. This intervention can involve buying or selling foreign currency reserves to influence exchange rate movements. Additionally, policymakers may implement measures to improve currency stability, such as adopting exchange rate pegs or bands.
3. **Trade Policies:** Governments can adjust trade policies to address imported inflation. This may include reducing tariffs or import duties on certain goods to lower their prices for consumers. Conversely, policymakers may consider imposing temporary tariffs or quotas on specific imports to protect domestic industries or address unfair trade practices that contribute to inflationary pressures.
4. **Supply-Side Measures:** Policymakers can implement measures to enhance domestic production capacity and reduce reliance on imports. This involves investing in infrastructure, technology, and education to boost productivity and competitiveness in key industries. By increasing domestic production, countries can mitigate the impact of imported inflation on consumer prices and improve resilience to external shocks.
5. **Supply Chain Management:** Governments and businesses can work together to strengthen supply chains and reduce vulnerabilities to disruptions. This may involve diversifying sourcing strategies, investing in inventory management systems, and enhancing coordination among suppliers and logistics providers. By improving supply chain resilience, countries can minimize the transmission of inflationary pressures from global markets to domestic economies.
6. **Demand Management:** Policymakers can use fiscal policy tools like taxation and government spending, to manage domestic demand and mitigate inflationary pressures. For example, targeted fiscal stimulus measures can support sectors facing supply constraints or encourage investment in productive capacity. Additionally, policies aimed at promoting savings and reducing consumption can help moderate demand and alleviate inflationary pressures.

SOME BASICS:

CONSUMER PRICE INDEX AND WHOLESALE PRICE INDEX

The Consumer Price Index (CPI) stands as a crucial indicator for tracking shifts in the prices urban consumers pay for a designated basket of goods and services over time. This index holds significant importance as it offers insights into inflationary patterns within the economy, serving as a key reference point for policymakers, economists, and investors alike to assess changes in the cost of living for citizens.

The computation of the CPI in India falls under the responsibility of the Central Statistics Office (CSO), an integral part of MoSPI. Drawing from a predetermined assortment of essential items, the CPI reflects the evolving prices of goods and services crucial to daily urban life. This selection encompasses a diverse range of necessities, spanning from food essentials and housing costs to transportation expenses, medical services, educational fees, and other vital expenditures.

WPI:

The **Wholesale Price Index (WPI)** stands as a critical indicator for monitoring changes in the average prices of goods at the wholesale level over time. This index serves as a valuable tool for assessing inflationary patterns within the economy and is extensively utilized by policymakers, economists, and businesses to analyze shifts in production costs and overall price levels.

Administered by the Office of the Economic Adviser under the Ministry of Commerce and Industry, the WPI encompasses a wide array of commodities traded in bulk, spanning raw materials, intermediate goods, and finished products. Unlike the Consumer Price Index (CPI), which focuses on retail prices paid by consumers, the WPI primarily reflects price movements occurring at wholesale level.

Ankit Kumar

SWISS WOMEN WIN CLIMATE CHANGE CASE IN ECHR

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS OF " SWISS WOMEN WIN CLIMATE CHANGE CASE IN ECHR". THIS TOPIC IS RELEVANT IN THE "ENVIRONMENT" SECTION OF THE UPSC CSE EXAM.

WHY IN THE NEWS?

The European Court of Human Rights (ECHR) made a ruling on Tuesday in support of a group of elderly Swiss women who contended that their government's insufficient actions to address climate change exposed them to the risk of heat-related fatalities.

President of the Court, Siofra O'Leary, stated that the Swiss government had breached the human right to privacy and family life by not implementing adequate domestic policies to confront climate change.

MORE ABOUT THE CASE

- Switzerland was taken to court in 2016 by KlimaSeniorinnen Schweiz (Association of Senior Women for Climate Protection Switzerland). KlimaSeniorinnen Schweiz comprises women climate activists aged 65 and above.
- These women argued that the Swiss government's insufficient climate policies violate their rights to life and other protections outlined in the European Convention on Human Rights, an international treaty safeguarding human rights and political freedoms in Europe.
- Their argument drew in part on their vulnerability to extreme heat due to their advanced age, citing reports from the Intergovernmental Panel on Climate Change (IPCC), a United Nations body assessing climate change science.
- These reports indicated that Swiss senior women, especially those over 75, are at higher risk of heat-related health issues such as dehydration, hyperthermia, fatigue, loss of consciousness, heat cramps, and heat strokes.
- While acknowledging that older men, individuals with illnesses, and young children also suffer from heat waves and other climate impacts, the case was brought solely by senior women.

COURT'S VERDICT

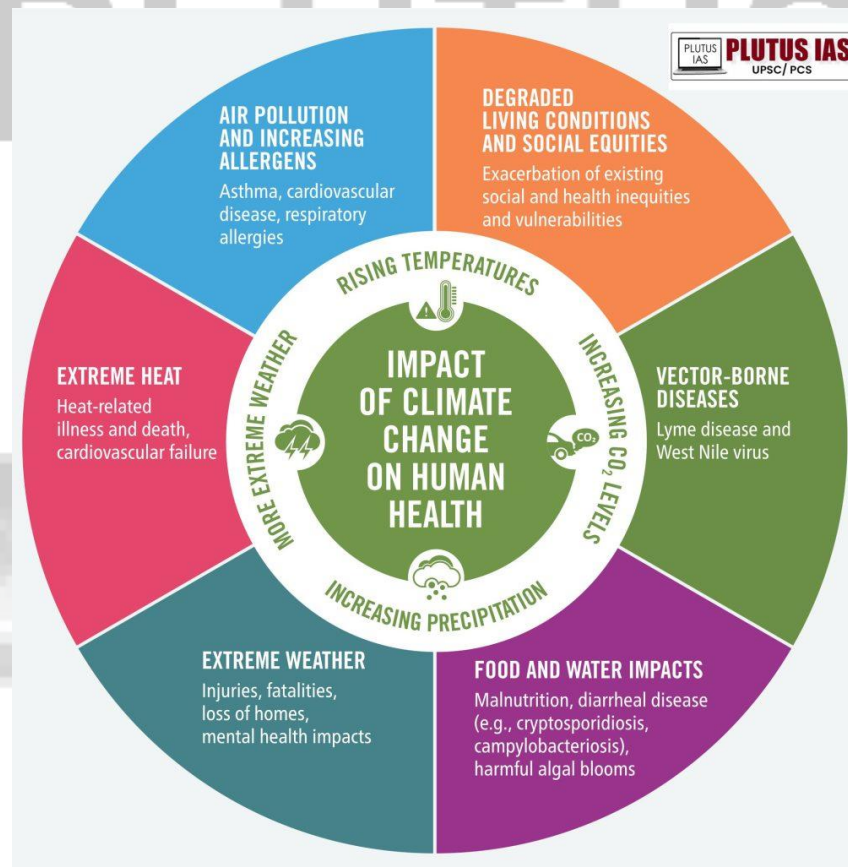
- The European Court of Human Rights (ECHR) emphasised that Article 8 of the convention encompasses the right for individuals to receive effective protection from state authorities against the severe adverse effects of climate change on their lives, health, well-being, and quality of life.
- The court found that the Swiss government had violated the convention by failing to enact sufficient laws to address climate change impacts and falling short of greenhouse gas (GHG) emission targets.
- Switzerland committed in 2017 to reducing emissions by 50% from 1990 levels by 2030 and achieving net zero emissions by 2050.
- The President of the Court remarked, "It is evident that future generations will likely endure increasingly severe consequences of current failures and oversights in combating climate change."

IMPORTANCE OF THIS CASE

- This landmark ruling sets a binding legal principle for 46 European nations under the Human Rights Convention, including powerhouses like the EU and the UK. Courts in these countries must now consider the ECHR's judgement in climate change and human rights cases. This paves the way for more lawsuits against governments lagging on climate action.
- The verdict empowers climate activists. It shows that legal action can hold governments accountable for their role in the impacts of climate change on human rights. This success story could inspire similar legal challenges across Europe.
- The ruling pressures European governments to strengthen climate policies. The threat of lawsuits could incentivize them to set more ambitious goals and enact stricter emission regulations. This could lead to significant policy shifts across the continent.
- The case compels governments to consider the human rights dimension of climate change. The ECHR judgement highlights how inadequate action can violate fundamental rights, pushing governments to prioritise policies that protect people from climate threats.

ABOUT THE EUROPEAN COURT OF HUMAN RIGHTS

- The European Court of Human Rights (ECHR) is an international judicial institution established to safeguard human rights and fundamental freedoms in Europe. It was founded in 1959 and operates under the jurisdiction of the Council of Europe, which is distinct from the European Union.
- The ECHR ensures that member states comply with the European Convention on Human Rights (ECHR), an international treaty ratified by 47 European countries. This convention outlines a set of fundamental rights and freedoms, including the right to life, freedom of expression, and the prohibition of torture and discrimination.
- Individuals and groups can bring cases before the ECHR if they believe their rights under the European Convention on Human Rights have been violated by a member state. The Court examines these cases impartially and independently, delivering judgments that are binding on the states involved.
- The ECHR's decisions have significant legal implications, as they establish precedents for human rights standards across Europe. Member states are required to implement the Court's rulings and take measures to rectify any human rights violations identified.



IMPACT OF CLIMATE CHANGE ON WOMEN

- **Health Risks:** Women are more vulnerable to the health impacts of climate change due to factors such as their physiological differences, social roles, and limited access to healthcare in many regions. For instance, during heatwaves, pregnant women and elderly women are at higher risk of heat-related illnesses. Additionally, women may face challenges in accessing reproductive healthcare services in the aftermath of climate-related disasters.

- **Water and Sanitation:** Women and girls are often responsible for collecting water for household use, agriculture, and other needs. Climate change can exacerbate water scarcity and decrease water quality, resulting in longer and more arduous journeys to fetch water. This increases the time burden on women and girls and may also expose them to safety risks, such as harassment or assault.
- **Food Security:** In many societies, women are responsible for food production, preparation, and distribution within households. Climate change-induced factors such as droughts, floods, and extreme weather events can disrupt agricultural activities, leading to food shortages and decreased nutritional intake, which disproportionately affect women and children.
- **Income and Livelihoods:** Women, particularly in rural areas of developing countries, often rely on natural resources for their livelihoods, such as farming, fishing, and gathering forest products. Climate change-related phenomena like changing precipitation patterns and habitat degradation can threaten these livelihoods, leading to economic insecurity for women and their families.
- **Displacement and Migration:** Women are often disproportionately affected by climate-induced displacement and migration. In many communities, women may lack the resources and decision-making power to relocate or adapt to changing environmental conditions, making them more susceptible to the adverse impacts of displacement, such as loss of homes, livelihoods, and social support networks.

PRELIMS PRACTISE QUESTION

Q1. Consider the following statements:

1. IPCC does not conduct its own research but instead evaluates and synthesises the scientific research conducted by other scientists.
2. NAAQ regulates PM 2.5 and PM 10 only.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

ANSWER: A

MAINS PRACTISE QUESTION

Q1. Analyse the implications of genetically modified (GM) seeds and crops in the context of climate change adaptation and food security. What are the potential benefits and risks associated with the widespread adoption of GM technologies in agriculture, particularly in regions vulnerable to climate variability and extreme weather events?

Q2. Explain the concept of soil carbon sequestration and its role in mitigating climate change. How do changes in land use, deforestation, and soil degradation impact the capacity of soils to sequester carbon? Discuss potential strategies for enhancing soil carbon storage in agricultural and natural ecosystems.