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CURRENT AFFAIRS

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GLOBAL RISK REPORT

This article covers 'Daily Current Affairs' and the topic details of " Global Risk Report 2024 ". This topic is relevant in the "International relations" section of the UPSC CSE exam.

UPSC MAINS GS2 Syllabus : Important international institutions

Why in the News?

The World Economic Forum (WEF) has published the Global Risk Report 2024, which highlights some of the most serious threats that the world may encounter in the coming ten years against the backdrop of conflict, rapid technological advancement, unstable economic conditions, and global warming. A survey of over 1,500 specialists, business executives, and legislators served as the basis for the research.

What are the findings of Global Risk Report 2024?

- **Aggravating Global Outlook:** A number of worldwide occurrences in 2023, including deadly wars, extreme weather, and social unrest, have added to a largely dire picture.
- **Technological Advancements and Security Threats:** Over the next two years, interstate armed conflict is predicted to rise to the top of the risk rankings. Technological advancements, particularly in the field of artificial intelligence, provide security dangers due to their ability to provide non-state actors with disruptive capabilities, which may in turn fuel more conflict and criminal activity.
- **Governance Challenges and Geopolitical Shifts:** Increased polarisation among world powers, particularly between the Global North and South, could provide problems for international governance. Geopolitical tensions and the growing power of Global South governments could change security dynamics and have an impact on global threats.
- **Misinformation and Disinformation Driven by AI:** The most serious threats for the next two years are misinformation and disinformation, underscoring the speed at which technological advancements are either causing new issues to arise or exacerbating preexisting ones. It is troubling that persons with specialised talents will no longer be able to create complex synthetic content that can be used to control groups of people, thanks to the rise in Generative AI chatbots like ChatGPT.
- **Environmental Risks at the Front:** Across all time periods, environmental risks—especially extreme weather—dominate the risk landscape. It is clear that there are issues related to climate change, biodiversity loss, and important changes to Earth systems, all of which could have permanent effects.
- **Economic Strains and Inequality:** In 2024, there will be a lot of anxiety about the cost of living crisis as well as economic dangers like inflation and a slump. Low- and middle-income nations will

be disproportionately impacted by economic uncertainty, which could increase societal and environmental effects and result in digital isolation.

Recommendations given by the Report?

- The impact of those unavoidable risks that we can plan for can be lessened by localised policies that leverage investment and regulation, and both the public and private sectors can play a crucial role in extending these advantages to everyone.
- A single breakthrough project can also contribute to making the world a safer place if it is developed via initiatives to put the future first and concentrate on research and development.
- Even if the combined efforts of individual people, businesses, and nations may not seem like much, when they reach a certain size, they can have a major impact on reducing global risk.
- Cross-border cooperation at scale is still essential for risks that are vital to human security and development, notwithstanding the world's growing fragmentation.

About Global Risk

The probability of an event or circumstance that, if it materialises, would have a detrimental influence on a sizable amount of the world's population, gross domestic product, or natural resources is known as global risk. The "World Economic Forum" releases the Global Risks Report every year in advance of its yearly summit in Davos, Switzerland.

About Global Economic Forum

The WEF is a Geneva, Switzerland-based nonprofit organisation that was founded in 1971. It acknowledged as the global hub for public-private collaboration by Swiss authorities. **Mission:** Dedicated to helping to transform the world a better place by influencing regional, national, and industry agendas with the help of intellectual, business, and political leaders.

Important Reports published by World Economic Forum

Some of major reports published by WEF are:

Global Gender Gap Report.

Global IT Report.

Energy Transition Index.

Global Competitiveness Report

Global Travel and Tourism Report.

Prelims practice question

Q1) What is the main purpose of the World Economic Forum's Global Risks Report?

- 1) To predict future economic trends.
- 2) To assess and raise awareness about global risks.
- 3) To provide investment advice to member countries.

Which of the above statements is/are correct?

- A) 1 only
- B) 2 only
- C) 3 only
- D) 2 and 3

Answer: **B**

Q2) What is the primary objective of the World Economic Forum's Global Risks Report in terms of policy making?

- 1) To provide specific policy recommendations.
- 2) To identify risks but not suggest policy solutions.
- 3) To solely focus on risks within the business sector.

Which of the above statements is/are correct?

- A) 1 only
- B) 2 only
- C) 3 only
- D) 1 and 2

Answer: **B**

Mains practice question

- Q1) Examine the role of the World Economic Forum's Global Risks Report in shaping global policy responses. How does the report contribute to international efforts in addressing emerging challenges and risks?
- Q2) Discuss the key findings and implications of the World Economic Forum's Global Risks Report for the current year and its potential impact on India's economic and geopolitical landscape.

Himanshu Mishra

FOOD INFLATION : A CAUSE FOR CONCERN FOR INDIA.

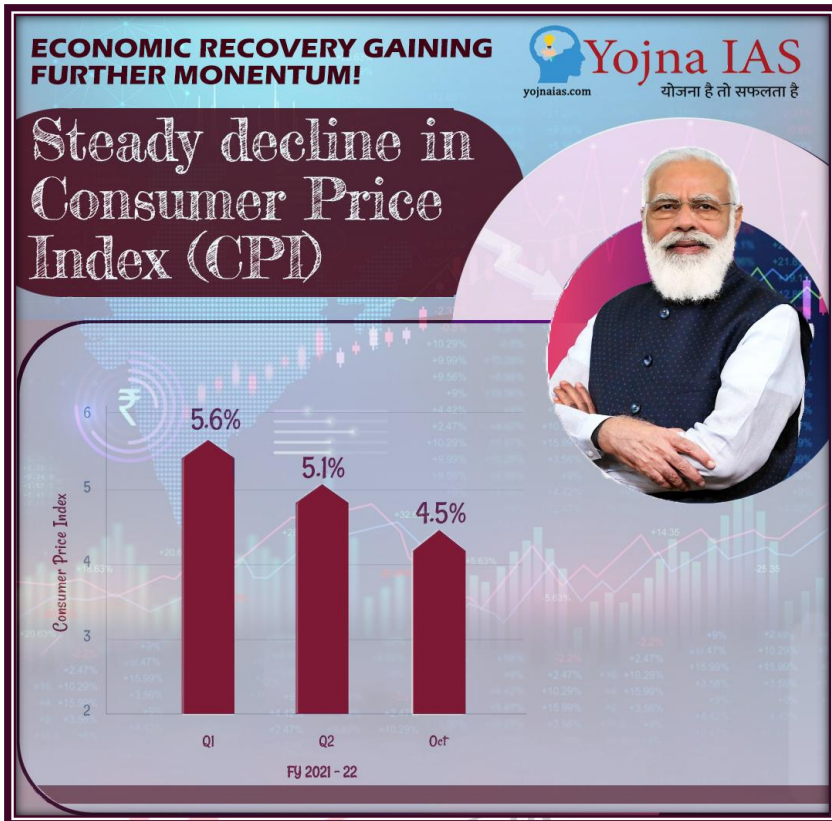
SOURCE - THE HINDU AND PIB.

GENERAL STUDIES - GROWTH OF INDIAN ECONOMY, INDIAN AGRICULTURE, CONSUMER PRICE INDEX, MONETARY POLICY COMMITTEE (MPC), PUBLIC DISTRIBUTION SYSTEM (PDS), FOOD INFLATION IN INDIA, IMPACT OF RISING FOOD INFLATION ON FARMERS AND MACROECONOMIC INDICATORS OF THE COUNTRY, CONSUMER FOOD PRICE INFLATION (CFPI), MINIMUM SUPPORT PRICE.

WHY IN THE NEWS ?

- Inflation, as measured by the ' **Consumer Price Index for India** ' in January 2024, has reached a four-month high in December 2023 and food price gains are rising at a relatively faster pace as inflation in cereals and pulses remains stable. While core retail inflation increased by 14 basis points to 5.69% from the November 2023 level. The price gain, measured by the Consumer Food Price Index, increased by 83 basis points from the previous month to 9.53% in December 2023. The surge in food prices was mainly driven by cereals – the largest component of the 'food and beverages' group – which recorded inflation of 9.93%. However the pace was slightly slower than the 10.3% in November 2023.

- The major food sub-groups including rice, wheat and coarse cereals continued to record month-on-month inflation rates, providing little comfort to the households of ordinary citizens of India.
- What is worrying is that in the case of jowar and millet, November month-on-month inflation rate witnessed the highest sequential price increase of 63 and 106 basis points respectively. These two millets are consumed most and widely in rural areas, especially by those who already face varying levels of precarity.
- Pulses, the main source of protein in India's vegetarian households, have also seen their price rise to a 43-month high of 20.7%. With sowing of pulses in the current Rabi season till January 12, 2024 being around 8% lower compared to the corresponding month/period of 2023, their price outlook in the coming months is not reassuring.
- Year-on-year vegetable price inflation also rose by nearly 10 percentage points from November levels, reaching a five-month high of 27.6%.
- Tomato and onion, their prices have increased by more than 33% and 74% respectively from December 2022 levels. However, given seasonal volatility in vegetable prices, prices of both kitchen staples as well as broader sub-groups witnessed gradual deflation. While month-on-month deflation in overall vegetable prices was 5.3%, prices of potatoes, onions and tomatoes declined by 5.9%, 16% and 9.4% respectively from November.
- The average retail prices of most of the 23 food items monitored on a daily basis by the Department of Consumer Affairs remained higher than the levels a year ago as on January 14, 2024, underscoring the role of policymakers in controlling food prices. Reflects the challenge ahead in the area of food inflation.
- Households of ordinary citizens of India are likely to spend a larger share of their income on food as the cost of food continues to rise. There is a real and universal risk in India that the impact of already weak consumption could derail the broader growth momentum in the economy.
- The growing food crises in West Asia have created a new level of uncertainty over global trade and energy costs, posing a worrying aspect/question to policy makers. Therefore, the government needs to address the concerns of both producers and consumers alike. It is necessary to pay attention to the form.



CURRENT SITUATION OF FOOD PRICE INFLATION AND DEFLATION : INFLATION IN PULSES AND CEREALS :

- The latest Consumer Price Index for India data shows that food inflation led by prices of two commodities: cereals (11.9%) and pulses (13%) increased sharply in July and August respectively.
- The annual retail price growth of vegetables was even higher, at 37.4% and 26.1% respectively.
- According to this data, the best indicator was tomatoes, whose retail inflation during this period stood at 202.1% and 180.3% respectively.

DEFLATION IN ESSENTIAL COMMODITIES AND THE STRATEGY OF GOVERNMENTS :

- For political reasons, most governments naturally privilege consumers over producers. In the present scenario the government should give equal priority to both production and producers especially of the two agricultural/food commodities, apart from other problems. **The areas given priority by the governments are -**

NEED FOR GOVERNMENT PRIORITY IN THE FIELD OF VEGETABLE OIL PRODUCTION IN INDIA :

- Soybean harvesting and marketing had begun in October, but the oilseed is already trading below the government's Minimum Support Price (MSP).
- As oil and meal, there has been a recent decline in demand for soybeans.
- One of the main reasons for the slowdown in Indian markets is India's import of edible oil from other countries. India's imports of vegetable oils are projected to reach a high of 17 million tonnes (mt) in 2022-23.

NEED FOR GOVERNMENT PRIORITY IN THE FIELD OF MILK PRODUCTION IN INDIA :

- There has been a decline in the purchase of milk powder, butter or ghee in recent times in India. There is a decline in the purchase of milk products even after festivals (Dussehra-Diwali), usually in winter when milk production is at its peak.
- The alleged increase in adulteration of vegetable fat in the sale of adulterated ghee has also increased the problems of this industry and made it a matter of concern. The fall in prices of imported oils, especially palm oils, has further increased the adulteration of butter and ghee with cheap fats, which has begun to raise health concerns for consumers in India.

GOVERNMENT SUPPORT TO WHEAT AND RICE AS ESSENTIAL COMMODITIES :

- In India, excess supply in the absence of effective distribution by government mechanisms or through the Public Distribution System (PDS) may lead to decline in market prices.

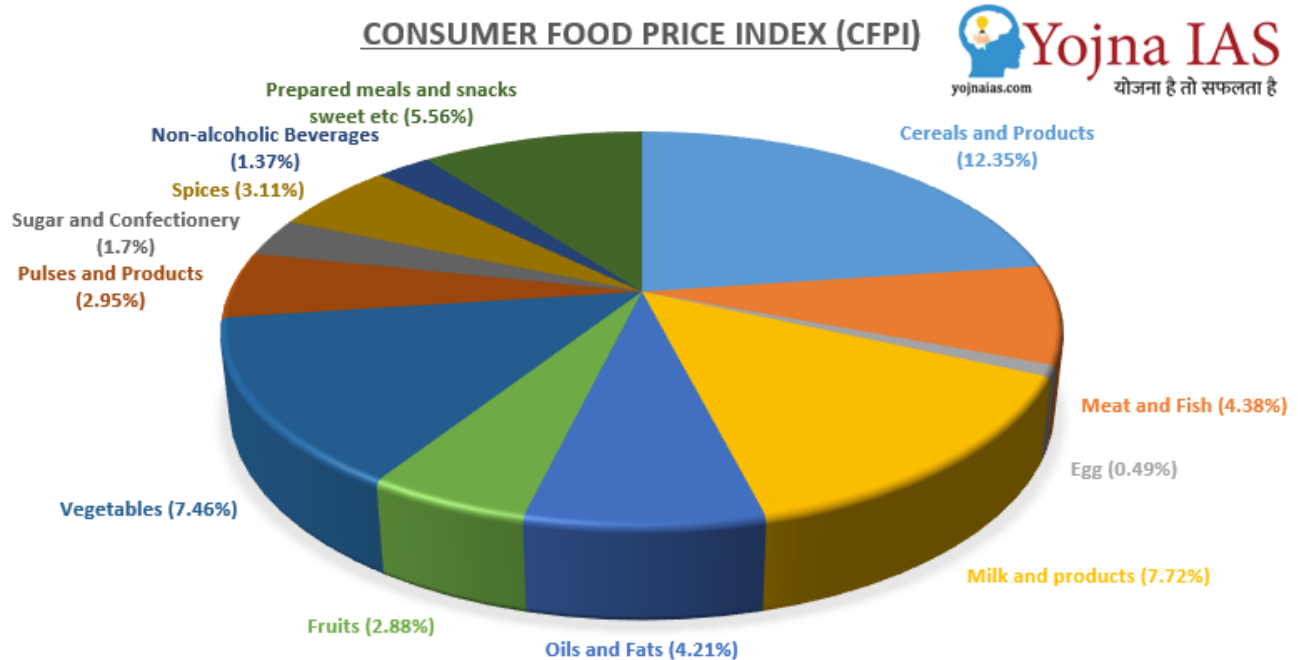
HIGHER PRODUCTION OF A PARTICULAR CROP BY FARMERS IN INDIA :

- Generally, farmers in India often challenge the minimum support price (MSP) set by the government by increasing production of MSP-supported crops like wheat and rice. This overproduction could lead to a glut of these crops in the market, pushing their prices below the MSP.

INADEQUATE PROCUREMENT AND DISTRIBUTION AT THE GOVERNMENT LEVEL :

- In India, the government sets the Minimum Support Price (MSP) and purchases crops from farmers through its own mechanisms, however the procurement infrastructure and distribution system may be inefficient, leading to delays in procurement and inadequate distribution of grains to consumers.

CONSUMER FOOD PRICE INFLATION (CFPI) :



- A specific measure of inflation is Consumer Food Price Inflation (CFPI), which focuses specifically on price changes in consumer goods and services including food items.
- It measures the rate at which the prices of food products consumed by a typical household are increasing or showing signs of increasing over time.
- CFPI is a sub-component of the broader Consumer Price Index (CPI), where the Reserve Bank of India (RBI) uses the CPI-Composite (CPI-C) to calculate the rate.
- The CFPI monitors price changes of specific food items that are commonly consumed by households. For example – grains, vegetables, fruits, dairy products, meat and other foods.

CONSUMER PRICE INDEX (CPI) :

- Retail inflation, also known as CPI inflation, defines the rate at which the prices of goods and services purchased by consumers for personal use rise over time.
- It measures changes in the costs of purchasing commonly used household goods and services, including food, clothing, housing, transportation, and medical care.

There are four types of CPI. Which are of the following types -

1. **CPI for Agricultural Laborers (AL)**
2. **CPI for Rural Laborers (RL)**
3. **CPI for Industrial Workers (IW)**

4. **CPI for Urban Non-Manual Employees (UNME).**

Data for the first three of these are compiled by the **Labor Bureau of the Ministry of Labor and Employment**, while the fourth type of CPI, **CPI for Urban Non-Manual Employees (UNME - CPI)**, is compiled by the Department of Statistics. It is compiled by the **National Statistical Office (NSO) under the Ministry of Statistics and Program Implementation.**



REASONS FOR FOOD PRICE INFLATION :

SITUATION OF IMBALANCE IN DEMAND AND SUPPLY :

- When there is an imbalance between the demand and supply of food items in any country or its economy, then the prices of food items start increasing.
- Factors such as natural disasters or extreme weather events, low crop yields or pest infestation of crops by insects can reduce the supply of agricultural products, thereby increasing their prices.
- Sometimes, due to increase in demand, increase in population or change in consumer's food preferences, if the supply of food items is not maintained continuously, then in such a situation the prices may also increase.

INCREASE IN COST OF AGRICULTURAL PRODUCTION FOR FARMERS :

- Sometimes food prices may also increase due to increase in agricultural production costs for farmers. It also includes expenses like increase in price of fuel, fertilizers and labor costs.

INCREASE IN ENERGY PRICES :

- Rising costs of energy used in agricultural operations, or sometimes especially fuel prices such as diesel or petrol, are a significant factor in the food supply chain. Increases in diesel, gasoline or oil prices may increase transportation costs to get food products from farms to stores, resulting in higher food prices for consumers.

CURRENCY EXCHANGE RATE :

- Sometimes fluctuations in currency exchange rates can affect food prices, especially for countries that rely heavily on imported foods. A weak domestic currency can make imported food or foodstuffs more expensive, leading to an increase in inflation.

BUSINESS POLICIES :

- Trade policies and tariffs set at the national or international levels can affect the prices of imported and domestically produced food. Restrictions on the import of any food item may also limit the variety of food products available and potentially increase prices.

GOVERNMENT INTERVENTION IN THE FORM OF PRICE CONTROLS OR REGULATIONS :

- Government intervention in the form of subsidies, price controls or regulations given to citizens in the case of food items can affect the prices of food items. On one hand, subsidies given by governments can reduce the cost/price of production of food items, on the other hand, price controls by governments can limit price rise.

LONG-TERM CHANGES IN CLIMATE PATTERNS :

- Long-term changes in climate patterns may impact agricultural products or food production. More severe and extreme weather events, such as drought or floods, can damage crops and reduce agricultural yields, which can also increase food prices.

NEED FOR INVESTMENT IN AGRICULTURAL RESEARCH AND TECHNOLOGY :

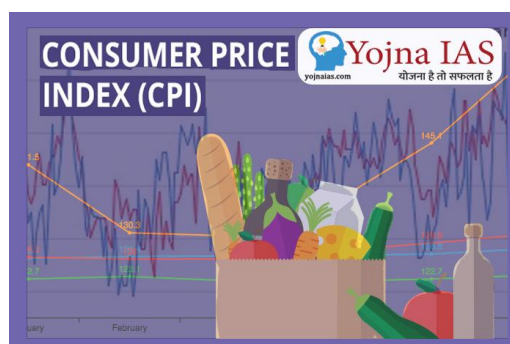
- In the agricultural sector, there is a need to invest in agricultural research and technology to increase the yield potential of crops and productivity of livestock, reduce production costs and promote sustainable agricultural practices.

NEED TO STRENGTHEN FOOD SUPPLY CHAINS :

- There is a pressing need to invest in transportation and storage infrastructure to reduce food spoilage and wastage.
- There is an urgent need to improve the distribution network to ensure that food reaches the intended consumers efficiently and prevent wastage of food items.

TO PROMOTE COORDINATION BETWEEN INTERNATIONAL TRADE AND MARKETS :

- There is an urgent need to remove trade barriers and related tariffs on any essential food items.
- There is a need to greatly facilitate international trade to ensure continuous and stable supply of food items or food products, as well as to promote synergy between international trade and markets to ensure uninterrupted supply of food items or food products. There is a great need to give.



TO REDUCE HOARDING OR BLACK MARKETING OR MONOPOLY POWER AND TO PROMOTE MUTUAL COMPETITION :

- It is extremely important to implement anti-monopoly law in the market to prevent the tendency of big agri-business establishments to establish monopoly rule over the market, hoarding or black marketing in the market and price manipulation.
- There is an urgent need to encourage competition in food sectors such as food items or food products to keep food prices competitive.
- Global natural and political events: Global events such as geopolitical conflicts, pandemics and trade disruptions can disrupt food supply chains and cause food prices to rise. For example – the COVID-19 pandemic disrupted food production and distribution in many parts of the world. Learning lessons from this pandemic, there is an urgent need to pave the way in this direction so that food supply chains are not disrupted in the future.

PRACTICE QUESTIONS FOR PRELIMINARY EXAM :

Q.1. Consider the following statements with reference to food inflation.

1. When there is an imbalance between the demand and supply of food items in any country or its economy, then the prices of food items start increasing.
2. The CFPI monitors price changes of specific food items that are commonly consumed by households.
3. There are six types of CPI.
4. Long-term changes in climate patterns do not affect agricultural products or food production, but rather lead to higher yields in the agricultural sector.

Which of the above statement /statements is correct?

- (A) Only 1, 3 and 4
- (B) Only 2 and 4
- (C) Only 1 and 3
- (D) Only 1 and 2

Answer - (D)

PRACTICE QUESTIONS FOR MAIN EXAM:

Q.1. Discuss how the Agricultural Produce Market Committees (APMCs) formed under State Acts in India have not only hindered the development of Indian agriculture but have also been a major cause of food inflation in India? Present a logical explanation.

Akhilesh kumar shrivastav