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HOUSEHOLD SAVING-VARIOUS ASPECTS

FALL IN HOUSEHOLD SAVINGS:

- ❖ The net financial savings of the household It is the difference between its gross financial savings and borrowing. The gross financial savings of a household is the extent to which its financial assets change during a period.
- ❖ The financial assets of households typically comprise bank deposits, currency and financial investments in mutual funds, pension funds, etc.
- ❖ Though household borrowing includes credit from non-bank financial corporations and housing corporations, the bulk of the borrowing comprises credit from commercial banks.
- ❖ In general, there are at least three distinct factors that can potentially bring about a reduction in household net financial savings:
 - **First**, households typically finance their additional consumption expenditure by increasing their borrowing or depleting their gross financial savings. By financing higher consumption expenditure at any given level of disposable income, lower net financial savings provide stimulus for aggregate demand and output in this case. It hardly played any role in the sharp reduction in gross financial savings in 2022- 23 as the consumption to GDP ratio remained largely unchanged between 2021-22 (60.95%) and 2022-23 (60.93%).
 - **Secondly**, when households finance higher tangible (physical) investment by increasing their borrowing or depleting their gross financial savings. The reduction in net financial savings in this case stimulates aggregate demand and output through the investment channel.
 - This factor played only a limited role. While the gross financial savings to GDP ratio declined by 3 percentage points (7.3% to 5.3%) in 2022-23, household physical investment to GDP ratio increased only by 0.3 percentage point (12.6% to 12.9%) during the same period. Though higher borrowing is partly financed by interest income from financial assets, it can be largely attributed to higher interest payments of the household in the recent period.
 - Domestic saving (Investment) of India is divided into two parts - Public Saving (Investment) and Private Saving (Investment).
 - Private Saving (Investment) is further divided into two parts, those are Household Saving (Investment) and Corporate Saving (Investment).
 - The term 'households' includes not only individual households but also noncorporate businesses and also non profit institutions working as households.
 - The unregistered micro, small and medium enterprises are thus covered under the definition of household sector.
 - A large share of Indian household income goes into savings in the form of physical assets like gold and housing and financial assets like deposits, shares, pension funds etc. Savings by the household sectors is the most prominent component in the gross savings.



- As percent to GDP, financial savings have remained stable at roughly 10 percent of GDP over the last five years. However, as share of household savings, share of financial savings is increasing, as savings in physical assets is declining over the years.
- Financial savings of Indian households are primarily in short-term assets. 57 % of the financial savings are in cash and deposits, classified as shortterm assets. leaving a very small portion of savings in long-term savings in assets like long-term bonds, insurance, pension etc.
- ☛ **Third**, when interest payment of a household increases say due to higher interest rates, households can meet the increased burden through borrowing or through depleting gross financial savings thereby inducing a reduction in net financial savings.
- ☛ The share of household borrowing in household (disposable) income registered a sharp spike in 2022-23.

Implication of higher debt burden:

- ❖ The rise in household debt burden has two concerns for the macroeconomy.
- ❖ The first concern is about debt repayment and financial fragility. Since the repayment capacity depends on the income flow, a key criterion for evaluating a household's debt sustainability is the difference between interest rate and the income growth rate.
 - ☛ On the flip side, the interest payments from the households are the interest income of the financial sector. If households fail to meet their debt repayment commitments, then it reduces the income of the financial sector and deteriorates their balance sheets, which in turn can have a cascading effect on the macroeconomy if the latter responds by reducing their credit disbursement to the non-financial sector.
- ❖ The second concern pertains to the implication on consumption demand. Over and above disposable income, the consumption expenditure of the household can be affected by their wealth, debt, and interest rate. Reduction in household wealth can lead to lower consumption expenditure as households may attempt to preserve their wealth position by increasing their savings.

Subjective Question:

Q.1 Evaluate the trend of household savings in India and its implications on economic stability, considering the decline in net financial savings and the rise in household debt. (150 words)

Objective Question

Q.2 Consider the following statements with respect to composition of Savings in India:

1. Household savings have the largest share in Gross Domestic Savings.
2. As a percent of GDP, household financial savings have steadily increased in the last five years.
3. Financial savings of Indian households are primarily in long-term assets.

Which of the statements given above is/are correct?

- (a) 1 only (c) 3 only
(b) 1 and 3 only (d) 1 and 2 only

Answer: (a)

CHIEF MINISTER OF ANDHRA PRADESH AND ODISHA

Naidu is back as A.P. Chief Minister

G.V.R. Subba Rao

VIJAYAWADA

Telugu Desam Party (TDP) national president N. Chandrababu Naidu was on Wednesday sworn in as the Chief Minister of Andhra Pradesh.

This is his second stint as Chief Minister of the State post its bifurcation. He had served as the Chief Minister of undivided Andhra Pradesh for two terms.

Governor S. Abdul Nazeer administered the oath of office to Mr. Naidu at



Prime Minister Narendra Modi with N. Chandrababu Naidu and K. Pawan Kalyan at their swearing-in ceremony. K.V.S. GIRI

Kesarapalle near Vijayawada. Prime Minister Narendra Modi, Union Home Minister Amit Shah, and

Union Ministers J.P. Nadda, G. Kishan Reddy and Bandi Sanjay, former Vice-President M. Venkaiah Naidu,

former Chief Justice of India N.V. Ramana, actors K. Chiranjeevi and Rajinikanth, and a host of VVIPs attended the ceremony.

YSRCP president and former Chief Minister Y.S. Jagan Mohan Reddy did not turn up for the swearing-in. According to reports, Mr. Naidu tried to call Mr. Reddy over the phone to invite him for the ceremony. But he could not reach the YSRCP chief.

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Majhi sworn in as Odisha's first BJP CM

Satyasundar Barik

BHUBANESWAR

Veteran BJP MLA Mohan Charan Majhi was sworn in as the 16th Chief Minister of Odisha on Wednesday.

In the presence of PM Narendra Modi, Home Minister Amit Shah, their Cabinet colleagues and Chief Ministers of nine BJP-ruled States, Governor Raghubar

of 24

of office to Mr. Majhi, a four-time MLA from Keonjhar. Former CM Naveen Patnaik, who was personally invited by Mr. Majhi, too attended the function. He is the third tribal CM to assume office after late Hemnand Biswal and Giridhar Gamang, since Odisha became a State in 1936.

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Mohan Charan Majhi meeting former CM Naveen Patnaik at his house in Bhubaneswar to invite him to the swearing-in. ANI



LIVER IS SILENT ORGAN-FATTY LIVER,MASLD

Tackling the fatty liver disease epidemic

The theme for International Fatty Liver Day this year, an awareness initiative observed annually in June, is 'Act Now, Screen Today'. This theme resonates more urgently today than ever before. Liver diseases were predominantly associated with excessive alcohol use and this remains an important cause of advanced chronic liver disease. However, in recent years, we are seeing the emergence of a silently growing threat to liver health – non-alcoholic fatty liver disease. As our understanding of this condition has evolved, we now know that fatty liver is closely linked to metabolic health, cardiac health, and a risk for developing cancers. This disorder has now been appropriately reclassified and is known as 'Metabolic dysfunction-associated steatotic liver disease' (MASLD). It has also resulted in a paradigm shift in how we approach liver health. The key is to screen, test, and treat.

Growing burden

The trends in fatty liver disease prevalence are alarming. MASH (Metabolic dysfunction-associated steatohepatitis), a progressive form that causes liver inflammation and scarring, is expected to become the most common cause of chronic liver disease and the leading indication for liver transplantation. The global prevalence of MASLD is estimated at 25-30%. In 2022, a meta-analysis revealed that in India, among adults, the pooled prevalence of fatty liver was 38.6%, while among obese children, it was around 36%.

There is a close link between fatty liver disease and metabolic syndrome, including obesity, diabetes, high blood pressure, and abnormal cholesterol levels. Individuals with these conditions have high MASLD prevalence rates: 55.5%-59.7% for diabetes, 64.6%-95% for obesity, and 73% for severe metabolic syndrome. Consuming excessive carbohydrates, especially refined



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carbs and sugars, worsens these conditions by causing metabolic problems. When the body has too much glucose, it increases insulin production to help cells absorb the glucose. However, constantly eating too many carbs causes persistently high insulin levels, leading to insulin resistance, where cells become less responsive to insulin.

Insulin resistance disrupts normal metabolism and promotes the conversion of excess glucose into fatty acids, which are then stored in the liver. The liver cells fill up with fat, leading to fatty liver. Over time, this continuous damage affects the liver's ability to function properly, progressing from simple fatty liver to more severe conditions like such as steatohepatitis and cirrhosis, which are hallmarks of MASLD, and may require a liver transplant.

Despite this growing burden of fatty liver disease, it often goes undetected as there is usually no warning or symptom in the early stages. Diagnosis is usually made at an advanced stage, often when significant liver damage has already occurred. The key to early diagnosis is simple – a comprehensive health screening that includes a thorough history, physical examination, blood tests, and an ultrasound of the abdomen. Physical examination will include height, weight, body mass index (BMI), abdominal girth, and waist-to-hip ratio to assess visceral fat, which is an important marker of metabolic health. Blood tests to cover cardio-metabolic risk factors include a blood count, sugar profile, blood lipid profile, liver function tests, and kidney tests. In a cohort of 50,000 people screened at Apollo Hospitals, amongst the 33% that had fatty liver, as observed using an ultrasound of the abdomen, only one in 3 had elevated liver enzymes in their blood test. An ultrasound of the abdomen is an important test to screen for liver disease and an important first step to diagnose fatty liver. It is often

missed or not included in many health checks, largely because of the limited availability of radiologists as well as stringent regulatory approvals.

Advanced liver tests will include liver fibrosis assessment to look for liver scarring, most accurately done by using newer technologies such as vibration-controlled transient elastography. This is a simple non-invasive tool and it measures liver stiffness to assess early stages of liver fibrosis. It can also be used to regularly monitor the progression and responses to treatment. Together, these tools – ultrasound, comprehensive metabolic screening, and elastography – form an integrated approach to effectively detect and manage liver diseases at an early stage.

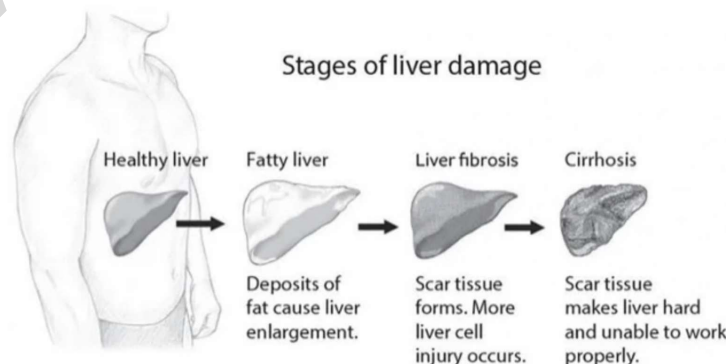
Personalisation is the key

The selection of screening tests and the frequency with which they are performed should be personalised. This decision should be based on factors including an individual's risk factors such as family history, lifestyle, and pre-existing health conditions. Clinicians should not make generic assumptions given the patient's age or physical markers alone as we are increasingly witnessing non-communicable diseases break traditional stereotypes and impact very diverse people, including children. Moreover, multiple factors affect liver health, necessitating integrated strategies that combine dietary modifications, regular physical activity, and effective weight management to mitigate liver disease risks.

The liver is a 'silent organ' that typically does not exhibit noticeable signs of damage until it reaches an advanced stage. It is important that we are aware of the impact our lifestyle choices make in the long run. We need to take active control of our health, be aware of what we consume, and go for frequent screenings because the groundwork for a happy life begins with good health.

There is a close link between fatty liver disease and metabolic syndrome, including obesity, diabetes, high blood pressure, and abnormal cholesterol levels

- According to the Health Ministry, India has become the first country in the world to identify the need for action for Non-Alcoholic Fatty Liver Disease.





Liver:

- ❖ Largest organ in our body that helps process nutrients from food and drinks and filters harmful substances from your blood.
- ❖ The liver secretes bile, which is later stored in the gall bladder. Bile is needed for the breakdown of fats in the body. It also plays a role in burning of fat.

What is Fatty Liver?

- ❖ Also known as hepatic steatosis
- ❖ It happens when fat builds up in the liver.
- ❖ Excess fat can cause inflammation called steatohepatitis (steato=fat + hepar=liver + itis=inflammation), although there is no relationship between the amount of fat present and the potential for inflammation. Steatohepatitis can lead to cirrhosis (fibrosis, scarring and hardening of the liver). There is also an association with liver cancer (hepatocellular carcinoma).

Types:

- ❖ When fatty liver develops in someone who drinks a lot of alcohol, it's known as alcoholic fatty liver disease (AFLD).
- ❖ In someone who doesn't drink a lot of alcohol, it's known as non-alcoholic fatty liver disease (NAFLD).

What Causes Fatty Liver?

- ❖ Obesity: Obesity involves low-grade inflammation that may promote liver fat storage. It's estimated that 30–90% of obese adults have NAFLD, and it's increasing in children due to the childhood obesity epidemic
- ❖ Excess belly fat: Normal-weight people may develop fatty liver if they are "viscerally obese," meaning they carry too much fat around the waist
- ❖ Insulin resistance: Insulin resistance and high insulin levels have been shown to increase liver fat storage in people with type 2 diabetes and metabolic syndrome
- ❖ High intake of refined carbs: Frequent intake of refined carbs promotes liver fat storage, especially when high amounts are consumed by overweight or insulin-resistant individuals
- ❖ Sugary beverage consumption: Sugar-sweetened beverages like soda and energy drinks are high in fructose, which has been shown to drive liver fat accumulation in children and adults
- ❖ Impaired gut health: Recent research suggests that having an imbalance in gut bacteria, problems with gut barrier function ("leaky gut") or other gut health issues may contribute to NAFLD development.

Symptoms of Fatty Liver:

- ❖ Fatigue and weakness
- ❖ Slight pain or fullness in the right or center abdominal area
- ❖ Elevated levels of liver enzymes, including AST and ALT
- ❖ Elevated insulin levels
- ❖ Elevated triglyceride levels



What are some lifestyle changes that can help with fatty liver disease?

- ❖ If you have any of the types of fatty liver disease, there are some lifestyle changes that can help:
- ❖ The most important part of treating alcohol-related fatty liver disease is to stop drinking alcohol.
- ❖ Eat healthy diet, limit salt and sugar, plus eat lots of fruits, vegetables, and whole grains
- ❖ Get vaccinations for hepatitis A and B, the flu and pneumococcal disease. If you get hepatitis A or B along with fatty liver, it is more likely to lead to liver failure. People with chronic liver disease are more likely to get infections, so the other two vaccinations are also important.
- ❖ Get regular exercise, which can help you lose weight and reduce fat in the liver

Practice Question:

Q.3 A fatty liver disease is caused due to the deficiency of

- (a) Protein
- (b) Fat
- (c) Vitamin
- (d) Mineral

Answer: (a)

Q.4 With reference to the Non-Alcoholic Fatty Liver Disease, consider the following statements:

1. Non-alcoholic fatty liver disease (NAFLD) is an umbrella term for a range of liver conditions affecting people who drink little to no alcohol.
2. Some individuals with NAFLD can develop non-alcoholic steatohepatitis (NASH), an aggressive form of fatty liver disease.

Which of the statements given above is/are correct?

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

Answer: (c)

- ❖ Union Health Minister Harsh Vardhan said that India has become the first country in the world to identify the need for action for Non-Alcoholic Fatty Liver Disease. He said this while launching the operational guidelines for integration of Non-Alcoholic Fatty Liver Disease with the National Programme for Prevention & Control of Cancer, Diabetes, Cardiovascular Diseases and Stroke. Non-alcoholic fatty liver disease (NAFLD) is an umbrella term for a range of liver conditions affecting people who drink little to no alcohol. As the name implies, the main characteristic of NAFLD is too much fat stored in liver cells. NAFLD is increasingly common around the world, especially in Western nations. Some individuals with NAFLD can develop non-alcoholic steatohepatitis (NASH), an aggressive form of fatty liver disease, which is marked by liver inflammation and may progress to advanced scarring (cirrhosis) and liver failure. This damage is similar to the damage caused by heavy alcohol use. Hence both statements are correct.

A FAR-RIGHT SWING IN EUROPEAN PARLIAMENT

A far-right swing in European Parliament

Where did the far-right gain the most ground? What can the gains be attributed to? Did the 'Green Deal' play a part in the polarisation of European society? Has the balance of power in the European Parliament shifted? How will the results affect EU policy?

EXPLAINER

Diksha Munjal

The story so far:

As 51.1% of nearly 400 million Europeans voted in marathon polls held across 27 member states of the European Union (EU) from June 6 to 9, the conservative centre-right bloc of European Commission President Ursula von der Leyen managed to retain its status as the biggest political group in the European Parliament (EP). However, right-wing and far-right parties clocked their best performance in the legislative body's history with liberals and Greens being delivered humbling blows. The result caused French President Emmanuel Macron to call for snap elections in his country on June 30, with the move being seen as a political gamble to stop in its tracks the rise of the far-right firebrand Marine Le Pen's party, with the latter eyeing a Presidential term in the 2027 elections.

Which countries led the far-right gains?

While the far-right wave predicted by exit polls did not materialise, far-right parties managed to make significant and historic gains in key member states – France, Germany, and Italy. In France, Ms. Le Pen's nationalist, anti-immigration Rassemblement National (RN) became the biggest party nationally winning 31.5% of the vote and 30 of France's 81 seats in the EP, more than double the vote captured by Mr. Macron's centrist Renaissance party, which finished a distant second.

In Germany, the results directly brought the ruling coalition's legitimacy into question with just 30% of German voters still supporting it. Chancellor Olaf Schulz, whose own disapproval ratings are as high as 70%, however, ruled out early national elections. The extreme right Alternative for Deutschland (AfD) party, despite being marred by a string of scandals involving espionage and bribery allegations and facing nationwide protests, came in second with a record 16% of the vote, winning more seats than Mr. Schulz's Social Democrats (SPD), part of the ruling coalition with the Greens and the Free Democratic Party, who were also left behind by the AfD in terms of vote share numbers. Former Chancellor Angela Merkel's centre-right Christian Democratic Union (CDU) and its sister party Christian Social Union in Bavaria (CSU), finished first securing 30% of the vote.

Italy also saw Prime Minister Georgia Meloni's Brothers of Italy Party with neo-fascist roots consolidating its grip by capturing a quarter of the vote, while far-right parties also made gains in Austria, Hungary, and Spain.

While national political parties contest elections to the 720-seat EU body every five years, they join the transnational political groups of the EP after the polls. As of 9:00 pm, June 12, provisional results indicate a fairly strong showing of centre-right parties across Europe, with the European People's Party group, including the CDU/CSU, emerging as the leading bloc with 189 seats. While the Socialists and Democrats (S&D), having Germany's SPD among others, managed a narrow consolidation with 135 seats, the Renew Europe (RE) group with Mr. Macron's Renaissance, suffered huge losses finishing at 79 seats compared to last time's 102. The pro-climate action Greens saw their seats reduced to 53 down from 71, becoming the sixth largest block instead of fourth. The hard and

Towards the right

Far-right parties clocked their best performance in European Parliament election history with liberals and Greens being delivered blows. However, right-wing parties hold different positions on a spectrum of issues and are unlikely to become a collective decisive force

NEW PARLIAMENT 720 seats, as of 9:00 pm, June 12



OUTGOING PARLIAMENT 705 seats



POLITICAL GROUPS

- The Left (L)
Far left
- Socialists & Democrats (S&D)
Centre-left
- Greens/European Free Alliance (Greens)
Far left
- Renew Europe (RE)
Liberal
- European People's Party (EPP)
Centre-right
- European Conservatives and Reformists (ECR)
Conservatives, eurosceptics
- Identity and Democracy (ID)
Far-right
- Non aligned / Others (NA)

Source: EU Parliament

© GRAPHIC NEWS



Rise of the extreme: Members of the far-right Alternative for Germany (AfD) in Berlin, on June 9. AFP

far-right European Conservatives and Reformists Group (ECR) and the Identity and Democracy Group (ID), including Ms. Meloni and Ms. Le Pen's parties, respectively, now collectively hold 131 seats in the chamber, up from 118. The other far-right lawmakers are in the non-attached (NI) group including AfD (which was expelled from the ID in May) with 15 seats and Hungarian PM Viktor Orban's Fidesz with 10 seats.

What can the right's gains be attributed to?

In 2019, with youth protests across Europe calling for climate action, the EP elections delivered a Green wave, which shaped Brussels' five-year agenda and brought about the ambitious 'Green Deal', laying a roadmap for the EU's 2040 and 2050 net-zero targets. But that was before the COVID-19 pandemic; before pan-continent farmers protests; and the Russian attack on Ukraine sending energy prices skyrocketing, leading to the worst

cost-of-living crisis Europe has faced in years. Besides, the steady rise of Eurosceptic, populist, and anti-immigrant parties, some of whom deny climate change, across Europe also contributed to this year's rightward shift.

In Germany, for instance, which sends 96 seats to the EP, national surveys saw voter priorities shift significantly with peace, social security, and immigration issues bagging the top spots and climate change dropping from first to fourth place. The far-right AfD capitalised on voter anxieties related to a spike in migration numbers in 2023, as migrants and asylum seekers from war-hit Ukraine, Africa, and West Asia were at Germany's doorsteps. While West Germany saw anti-extremist protests against the AfD, East Germany emerged as its natural voter base where many voters have felt left behind by the establishment after the 1990 reunification. Another area where the party seems to have tapped into the voter discontent was the ruling coalition's

THE GIST

While the far-right wave predicted by exit polls did not materialise, far-right parties managed to make significant and historic gains in key member states – France, Germany, and Italy.

The EU's climate policy became another bone of contention for a section of voters: European farmers, who have held a record 4,000 different protests so far this year.

While political analysts don't anticipate an immediate drastic shift in EU policy, an overtime rightward pivot of the EU agenda, which was already manifesting before the election, remains of concern.

2023 clean energy law asking homeowners to replace fossil fuel boilers with expensive heat pumps, with AfD promising to stop the transition.

The EU's climate policy became another bone of contention for a section of voters: European farmers, who have held a record 4,000 different protests so far this year. The EU's Common Agriculture Policy (CAP), which provides subsidies and protects farmers from foreign competition, is a decisive voting issue with large farmer lobby groups. But farming emissions, which haven't gone down since 2005, account for 10% of the EU's total emissions with its farm sector accounting for a quarter of global pesticide use. Farming only contributes 1.3% to Europe's GDP.

Protesting farmers have balked at the policies in the Green Deal which call for redesigning the EU's emission-heavy food systems and carving out land for biodiversity restoration. Right-wing parties like RN, have termed such measures as 'punitive ecology'.

Has the balance of power in the European Parliament shifted?

In the outgoing Parliament, Ms. von der Leyen's EPP, the Socialists and Democrats, and Mr. Macron's Renew EU groups often termed the 'Grand Coalition', which together held 417 seats, managed to make and push amongst themselves often with support from the Greens. While the EPP and S&D will still largely maintain their old numbers, weakened RE and Greens blocs mean the European Commission President may collaborate with the right-wing ECR and possibly even the ID on issues like migration, restrictions on climate policy and defence issues.

However, nationalist right-wing parties who have made gains this election hold different positions on a spectrum of issues and are unlikely to become a strong and collective decisive force.

The immediate playout of the election results could be seen in the deals Ms. von der Leyen strikes with the blocs to get re-elected as the European Commission President in a secret ballot vote in July. While she could gather enough number of votes from the Grand Coalition, there has historically been a 10% defection margin, which means she could be courting the right's MPs for votes.

How will the results affect EU policy?

While political analysts don't anticipate an immediate drastic shift in EU policy, an overtime rightward pivot of the EU agenda, which was already manifesting before the election, remains of concern. Centre-right parties in some member states have been turning to a strategy of integrating the right's agenda into their own to counter the far-right's popularity. Ms. von der Leyen had already declared that she would be open to working with Italy's Ms. Meloni in the EP.

The strengthened centre-right, as reiterated by EPP President Manfred Weber, is already aiming to overturn the 2035 EU ban on the sale of combustion engine cars.

Earlier this year, the EU parliament also voted to remodel its immigration and asylum policy, which has clauses for expedited deportations and the contentious issue of relocation of asylum seekers. In fact, the European Commission President last year, along with Ms. Meloni signed a pact with Tunisia to receive financial aid for stopping asylum seekers at its borders from entering Europe.

The author is a former staff writer with The Hindu and is interested in geopolitics, global inequality, and history.



The European Union has Seven Institutions:

1. The European Parliament,
2. The Council of the European Union,
3. The European Commission,
4. The European Council,
5. The European Central Bank,
6. The Court of Justice of the European Union
7. The European Court of Auditors.

European Union (EU):

International organization comprising 27 European countries and governing common economic, social, and security policies.

European Parliament:

- ❖ The European Parliament is an important forum for political debate and decision-making at the EU level.
- ❖ It is the EU's law-making body, and shares its power with the EU Council.
- ❖ It is directly elected by EU voters every 5 years.
- ❖ The European Parliament allows the citizens of the EU to participate directly in European political affairs.

What does the Parliament do?

- ❖ The Parliament has 3 Main Roles:
 - Legislative:
 - Passing EU laws, together with the Council of the EU, based on European Commission proposals
 - Deciding on international agreements
 - Deciding on enlargements
 - Reviewing the Commission's work programme and asking it to propose legislation.
 - Supervisory:
 - Democratic scrutiny of all EU institutions
 - Electing the Commission President and approving the Commission as a body. Possibility of voting a motion of censure, obliging the Commission to resign
 - Granting discharge, i.e. approving the way EU budgets have been spent
 - Examining citizens' petitions and setting up inquiries
 - Discussing monetary policy with the European Central Bank
 - Questioning Commission and Council
 - Election observations
 - Budgetary:
 - Establishing the EU budget, together with the Council
 - Approving the EU's long-term budget, the "Multiannual Financial Framework"
- ❖ The EU is a unique supranational entity. Its member states pool their sovereignty to acquire a collective strength and global influence that they cannot achieve individually.



- ❖ In practice, this means that member states delegate some of their decisionmaking powers to the shared institutions they have established. The European Parliament, the Council of the EU, and the European Commission (EC) are some of their core institutions.
- ❖ Members of the European Parliament (MEPs) are directly elected by citizens of the 27 member states. Therefore, it provides a certain democratic legitimacy to all EU activities.
- ❖ The 720 seats of the Parliament are allocated on the principle of 'degressive proportionality', meaning smaller states elect more MEPs than their populations would proportionally warrant. MEPs are chosen by proportional representation, ensuring the number of elected MEPs is proportional to the votes they receive.

What are the functions of the European Parliament?

- ❖ The Parliament has three major functions.
- ❖ First, it adopts and amends EU legislation along with the Council of the EU. Second, it supervises the functioning of all other EU institutions and bodies, particularly the EC. It approves or rejects appointments to the EC. Third, the Parliament shares authority over the EU budget with the Council, which allows it to influence EU spending.
- ❖ The Parliament also ratifies international agreements, including those on trade and investment.
- ❖ The new Parliament will shape the EU's direction for the next five years on issues such as climate change, migration, the Green Deal aimed at making Europe climate neutral by 2050, digitisation, support for Ukraine, and policies toward Russia, China, the Middle East, and the Indo-Pacific.

Who will be the major players in the new European Parliament?

- ❖ Voters in the European Parliament elections choose from their national political parties. The winning candidates then become part of Europe-wide political groups in the European Parliament. Almost all major parties in the 27 EU countries are affiliated with one or other of these European groups, based on commonalities in ideology.
- ❖ A minimum of 23 MEPs from at least one-fourth of EU Member States can form a new group in the European Parliament. Currently, there are seven groups in the Parliament: European People's Party (EPP); Progressive Alliance of Socialists and Democrats (S&D); Renew Europe; Greens/ European Free Alliance (Greens/ EFA); European Conservatives and Reformists (ECR); Identity and Democracy (ID), and the Left Group (GUE/ NGL).
- ❖ Many European centre-right conservative parties, like Germany's Christian Democratic Union (CDU), align with the EPP. Most centre-left socialist parties, like Spain's Socialist Workers' Party, are part of the S&D group. Many centrist liberal parties, such as Macron's Renaissance party, belong to Renew Europe. Most right-wing parties are associated with the ECR and ID groups, like Meloni's Brothers of Italy and Marine Le Pen's National Rally respectively.
- ❖ No group has been able to achieve a majority in the Parliament in recent years. But the EPP and the Socialists have remained the two major groups. With each election, the Parliament has become more fragmented, leading to issue-based coalitions.
- ❖ This year, the right and far right have grown at the expense of the Greens, Renew, and Socialists. But pro-Europe progressive groups like the EPP, S&D, Renew, and Greens have still managed to win more than 60% of the seats.



- ❖ Two far-right political parties — Alternative for Germany (AfD) and Hungarian Fidesz — are not part of any group. Altogether, far-right parties are projected to secure more than 150 seats. Overall, while the EPP has emerged as a clear winner, far-right parties have gained significantly.

How might the EU's position on hot-button issues like immigration be affected by these results?

- ❖ The European Parliament mirrors broad political trends across Europe. Many EU countries such as Italy, Finland, and Hungary, have right-wing governments. Right-wing parties have made significant gains in Germany and France in recent years.
- ❖ As a result, the position of the Right in the European Parliament has also strengthened. These parties are gaining traction from issues including increased immigration into Europe, national identity, and scepticism towards many EU policies. Their persistent anti-immigrant, anti-EU, and anti-Islam rhetoric has resonated with many voters.
- ❖ This shift has pressured many centre-right parties to adopt harder positions on immigration. There will be increased support for tighter border controls and stricter immigration and asylum rules in the new Parliament.
- ❖ The high costs of green transition goals may also face scrutiny. Although climate action remains generally popular in Europe, many parties exploit the scepticism for specific measures.
- ❖ They have gained support from farmers protesting against emission reduction measures, consumers facing rising energy prices, and industries struggling with declining competitiveness due to the switch from fossil fuels. Even the EPP now aims to overturn the ban on combustion engine cars by 2035.