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India-New Zealand FTA, A Modern Trade Partnership

Context

- The proposed **India-New Zealand Free Trade Agreement (FTA)** marks a significant step in strengthening bilateral economic relations.
- Despite friendly diplomatic ties, bilateral merchandise trade remains modest at around US\$1.3 billion in FY 2024-25.
- The agreement aims to unlock untapped trade potential through expanded market access, increased investment, and improved regulatory cooperation.
- More importantly, it reflects the changing nature of global trade, where **trade facilitation, compliance,** and **supply-chain efficiency** have become as important as tariff reductions.

Untapped Trade Potential

- India's exports to New Zealand have grown steadily, yet bilateral trade remains relatively small compared to India's major trading partners.

- The proposed FTA seeks to accelerate commercial engagement by encouraging exports, attracting an estimated **US\$20 billion investment**, and creating long-term opportunities for businesses in both countries.
- The agreement represents a strategic effort to deepen economic integration and diversify trade partnerships.

Modern Free Trade Agreements: Beyond Tariff Liberalization

- Modern FTAs extend far beyond reducing **customs duties**.
- International competitiveness increasingly depends on **predictable regulations**, faster **customs clearance**, recognition of **certifications**, digital documentation, and lower **transaction costs**.
- These measures simplify cross-border trade, improve business confidence, and reduce delays across global value chains.
- Consequently, trade agreements now focus equally on improving the overall business environment and facilitating smoother international commerce.

Export Opportunities for India

- The agreement provides **duty-free access** across 100% of New Zealand's tariff lines, creating valuable opportunities for **textiles, apparel, leather, and handicrafts**.
- Even relatively small tariff reductions can provide Indian exporters with a significant **pricing advantage** over competing suppliers.
- The **services sector** is likely to emerge as a major beneficiary.
- India's strengths in **information technology, consulting, engineering, healthcare, and education** can expand through improved market access and greater mobility for professionals and students.
- Since services contribute substantially to India's economy, these provisions hold considerable long-term significance.

India's Balanced and Protective Trade Strategy

- India has adopted a cautious approach by protecting sensitive sectors such as **dairy**, reflecting a policy of **selective liberalisation**.
- This strategy balances the objective of expanding international trade while safeguarding vulnerable domestic industries from intense foreign competition.
- Such an approach promotes sustainable economic growth without compromising national interests.

Rules of Origin and Compliance: The New Competitive Advantage

- Preferential tariff benefits depend on compliance with **Rules of Origin (RoO)**, ensuring that products genuinely originate from member countries.
- The agreement introduces product-specific rules, robust documentation requirements, traceability, and safeguards against transshipment.
- For businesses, compliance has become a competitive advantage rather than a mere regulatory obligation.

- Strong **supply-chain transparency**, accurate documentation, and effective regulatory management are essential for fully utilizing the benefits of the FTA.

Trade Facilitation and Reduction of Non-Tariff Barriers

- Greater **trade facilitation** through digital certification, simplified customs procedures, and faster border clearances reduces inventory costs, improves cash flow, and strengthens supply-chain reliability.
- The agreement also seeks to reduce **non-tariff barriers**, particularly in sectors such as **pharmaceuticals**, **food processing**, **chemicals**, and **agriculture**, where regulatory approvals often determine market access more than tariffs.
- Harmonised standards and predictable regulatory processes enhance export competitiveness and encourage greater business participation.

Business Preparedness for the New Trade Environment

- To maximise the benefits of the FTA, businesses must strengthen operational readiness.
- This includes reviewing **Harmonised System (HS) classifications**, ensuring compliance with **Rules of Origin**, improving documentation, identifying sector-specific export opportunities, and reassessing landed-cost models.
- Investments in digital compliance systems and efficient supply-chain management will enable firms to compete more effectively in international markets.

Conclusion

- The India-New Zealand FTA represents more than a conventional trade agreement.
- It combines **tariff liberalisation** with improved regulatory cooperation, digital trade facilitation, investment promotion, and stronger compliance mechanisms.
- By reducing transaction costs, enhancing market access, and promoting transparent trade practices, the agreement can significantly strengthen bilateral economic relations.
- Its long-term success will depend on coordinated government action and the preparedness of businesses to embrace a more competitive, rules-based, and globally integrated trading environment.

India-New Zealand FTA, A Modern Trade Partnership FAQs

Q1. What is the main objective of the India-New Zealand Free Trade Agreement?

Ans. The main objective of the agreement is to increase bilateral trade, investment, and economic cooperation.

Q2. Why are modern FTAs considered different from traditional trade agreements?

Ans. Modern FTAs focus on trade facilitation, regulatory cooperation, and supply-chain efficiency in addition to reducing tariffs.

Q3. Which Indian sectors are expected to benefit the most from the FTA?

Ans. The textiles, apparel, leather, handicrafts, and services sectors are expected to benefit the most.

Q4. Why are Rules of Origin important under the FTA?

Ans. Rules of Origin ensure that only eligible products receive preferential tariff benefits under the agreement.

Q5. How can businesses maximize the benefits of the FTA?

Ans. Businesses can maximize the benefits by ensuring compliance, improving supply-chain documentation, and identifying export opportunities.

Source: **The Hindu**

Sustaining India's Low-Fertility Future

Context

- India has entered a new **demographic transition** with its **Total Fertility Rate (TFR)** declining to **9**, below the **replacement level** of **2.1**.
- While lower fertility reflects progress in healthcare, education, and family planning, it also marks the beginning of an ageing society.
- The transition is uneven, with southern and urban States ageing faster than northern States.
- This changing demographic landscape demands reforms in social security, healthcare, labour markets, and federal governance to ensure sustainable and inclusive development.

India's Uneven Demographic Transition

- India's demographic change is highly uneven across regions.
- States such as **Kerala**, **Tamil Nadu**, **West Bengal**, and **Delhi** have fertility rates comparable to developed ageing economies, whereas **Bihar**, **Uttar Pradesh**, and **Rajasthan** continue to record relatively high fertility levels.
- Consequently, some States face the challenge of supporting an expanding elderly population, while others must generate productive employment for a growing young workforce.
- This regional diversity requires differentiated policy responses rather than a uniform national strategy.

Ageing Before Becoming Wealthy

- Unlike many developed countries, India is ageing before achieving high-income status.
- Countries such as Japan and those in Western Europe established strong **industrialisation**, broader **tax bases**, and comprehensive **welfare systems** before population ageing accelerated.
- India, however, continues to struggle with low **per capita income**, a narrow tax base, and widespread **informal employment**.
- These structural limitations reduce the government's capacity to finance pensions, healthcare, and elderly welfare, making demographic ageing a more complex challenge.

Strengthening Social Security

- India's existing pension framework provides limited protection for the elderly.

- Most workers remain outside the formal sector, making **contributory pensions** difficult to sustain due to irregular incomes.
- Public assistance under current schemes is insufficient to ensure dignified living standards.
- Establishing an **inflation-indexed minimum pension** alongside contributory schemes would create a stronger safety net, reduce dependence on families, and improve **income security** for vulnerable elderly citizens.

Changing Family Structure and Elderly Care

- Traditionally, the **joint family** system supported older generations through shared living arrangements and unpaid caregiving.
- However, **urbanisation, migration, nuclear families**, and rising female workforce participation have weakened this model.
- Although migration often improves household income, it also increases loneliness and health vulnerabilities among elderly parents left behind.
- As family-based care declines, greater public investment in social care and community support becomes essential.

Transforming Healthcare for an Ageing Society

- The healthcare system must shift its focus from primarily maternal and child health towards **geriatric care** and the long-term management of **chronic diseases** such as hypertension, diabetes, dementia, disability, and palliative care.
- Expanding primary healthcare, training medical professionals in elderly care, and integrating geriatric services into district health systems will be crucial for addressing the needs of an ageing population.

Migration and Cooperative Federalism

- Population ageing will increase the demand for workers in older States, making **internal migration** an important driver of economic balance.
- Younger States should invest in **education, skill development**, and healthcare to prepare a productive workforce.
- Simultaneously, richer States must recognise migrants as equal contributors by ensuring **portable welfare benefits** and equal access to public services.
- A truly integrated national labour market depends upon social protection that moves with workers across State boundaries.

Conclusion

- India's low-fertility future represents a major structural transformation rather than a demographic crisis.
- If supported by stronger public institutions, expanded **social protection**, quality healthcare, skilled human capital, and inclusive labour policies, population ageing can become an opportunity for sustainable development.

- Building resilient welfare systems and promoting cooperative federalism will enable India to achieve **inclusive growth** while ensuring dignity and security for its ageing population.

Sustaining India's Low-Fertility Future FAQs

Q1. What is India's current Total Fertility Rate (TFR)?

Ans. India's current Total Fertility Rate is 1.9 children per woman, which is below the replacement level.

Q2. Why is population ageing a challenge for India?

Ans. Population ageing is a challenge because India has limited social security, healthcare, and pension coverage.

Q3. How has urbanisation affected elderly care?

Ans. Urbanisation has weakened the traditional joint family system that supported elderly people.

Q4. Why is internal migration important for India's future?

Ans. Internal migration helps older States meet their labour needs while creating employment opportunities for workers from younger States.

Q5. What is one major policy needed to support an ageing population?

Ans. India needs a stronger social security system, including an inflation-indexed minimum pension and better geriatric healthcare.

Source: **The Hindu**

India's Population Transition - Progress, Persistent Challenges and the Road to Stabilisation

Context:

- The latest Sample Registration System (**SRS**) and the sixth round of the National Family Health Survey (**NFHS-6**) provide fresh insights into India's demographic transition.
- The data indicate that while India is steadily moving towards population stabilisation, significant challenges remain, particularly in terms of –
 - Regional demographic disparities,
 - Declining fertility,
 - Skewed sex ratio at birth, and
 - The policy implications of differential population growth.

India's Population Outlook:

- **Total Fertility Rate (TFR):** Average number of children expected to be born to a woman during her reproductive years. A replacement-level fertility of 2.1 ensures long-term population stability.
- The University of Washington (2017) projected India's Total Fertility Rate (**TFR**) at 1.9 and estimated the population would **peak** at 160 crore by **2048**.

- However, the latest SRS (2024) records the TFR at 1.9 now, indicating a **slower fertility decline** than previously expected.
- The UN Population Division projects India's population to peak at around 170 crore by **2062** before gradually declining. Based on current data, this appears to be the most **realistic**

Persistent Demographic Concerns:

- **Skewed sex ratio at birth (SRB):**

- The SRB (2022–24) stands at **918 girls** per 1,000 boys, far below the biological norm of 955.
- Although it has improved from 907 (2018–20), progress remains slow.
- At the present pace, achieving the natural sex ratio may take over a decade, prolonging the “**girl deficit**” and its associated social consequences.

- **Demographic divergence across States:**

- India's demographic transition is highly uneven. **For example**, TFR in Bihar is 2.9, Uttar Pradesh (2.6), while at all India level it is 1.9.
- At the current pace, Bihar may take 18 years and Uttar Pradesh around 10 years to attain replacement fertility.
- This widening demographic gap has **implications** for economic development, resource allocation and political representation.

Drivers of High Fertility in Bihar and Uttar Pradesh:

- **Women's empowerment:**

- **Educational attainment** remains substantially lower than the national average. For instance,
 - Women ever attending school in India stands at 73.7%, Bihar (64.1%), and Uttar Pradesh (70.1%).
 - Women with 10 or more years of schooling in India (46.4%), Bihar (33.1%), and Uttar Pradesh (42.5%).
- Greater female education delays **marriage**, enhances workforce participation and reduces fertility.

- **Contraceptive use:**

- Use of contraception among married women (15–49 years) – India (69.1%), Bihar (59.3%), and Uttar Pradesh (62.4%).
- The data highlight the need to strengthen family welfare programmes, improve reproductive healthcare and expand women's access to contraception.

Should Low-Fertility States Encourage Higher Birth Rates?

- States such as **Andhra Pradesh** have introduced pronatalist policies, including:
 - One-time incentive of ₹30,000 for the third child and ₹40,000 for the fourth child.
 - Monthly nutrition allowance of ₹1,000 for the third child.
 - Free education up to 18 years.
 - Extended maternity leave.
- However, demographic research—including Alva Myrdal’s work *Nation and Family*—suggests that one-time financial incentives rarely produce sustained increases in fertility.

Political Dimension - Delimitation and Demographic Performance:

- The concern over declining fertility is driven less by labour shortages and more by fears of reduced political representation after future delimitation.
- States with successful population control fear **losing parliamentary seats** relative to faster-growing states.
- Hence, the political concerns should not be addressed through population policy.
- A useful precedent exists in **Finance Commission** tax devolution, where both the population and demographic performance are considered while allocating states’ shares.
- A similar balanced approach could prevent states from being penalised for achieving demographic success.

Way Forward:

- **Accelerate:** Women’s education, empowerment and reproductive health services in high-fertility states.
- **Expand:** Access to modern contraception and strengthen family welfare programmes.
- **Avoid:** Policies aimed solely at increasing fertility in low-fertility states, as India remains far from overall population decline.
- **Ensure:** That political representation is not determined solely by population growth, thereby removing incentives for pronatalist policies.
- **Focus:** Equally on population quality—health, education, nutrition and human capital—alongside population quantity.
- **Await:** The next Census to reconcile differences between SRS and NFHS fertility estimates and enable evidence-based policymaking.

Conclusion:

- India’s demographic transition is progressing steadily but unevenly.
- The immediate policy priority is not to increase fertility in low-fertility states, but to reduce regional disparities, while ensuring that demographic success does not translate into political disadvantage.
- A **balanced approach** focusing on population stabilisation and human capital development will be critical for India’s long-term demographic dividend.

India’s Population Transition FAQs

Q1. Why is demographic divergence among Indian states a major policy concern?

Ans. It creates disparities in population growth, resource allocation, labour force dynamics and political representation.

Q2. How do women's education and contraceptive access influence fertility decline?

Ans. Higher female education and better access to contraception delay marriage, empower reproductive choices.

Q3. Why do the experts argue against pronatalist policies in low-fertility states?

Ans. Because evidence suggests that financial incentives have limited long-term impact on increasing fertility.

Q4. What is the significance of replacement-level fertility (TFR 2.1)?

Ans. It is the fertility level at which a population eventually stabilises by replacing one generation with the next.

Q5. What policy approaches are recommended to address concerns arising from future delimitation?

Ans. Ensuring that political representation is not determined solely by population growth and incorporating demographic performance.

Source: IE

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