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Reimagining India's Global Integration - Trade, Finance, and the Road Ahead

Context:

- The article analyses **India's evolving relationship with the global economy**, arguing that periods of greater **global integration** have coincided with higher **economic growth**.
- It emphasizes the need for balanced trade and financial integration, and presents **sectoral insights to guide future reform strategies**, especially in the context of **emerging global supply chain opportunities**.

India's Global Integration Journey - A Timeline:

- **The golden decade (2000-2010):**
 - Marked by **lower import tariffs and deeper trade integration**.
 - **India's share in global exports** and GDP growth saw significant improvement.
 - Indicative of **a high correlation** between India's and global growth trends.
- **Protectionist shift (2010-2020):**
 - **India raised import duties**, leading to reduced export share and slower growth.
 - **Trade decoupling** weakened India's role in global value chains.
- **Post-pandemic trends:**
 - **Shift towards financial integration** (e.g., equities), but trade integration remains weak.
 - **Integration is presently one-sided**, favouring capital markets over goods/services trade.

Global Integration and Economic Volatility:

- **Argument:** Greater global integration increases exposure to external shocks.
- **Counter-argument:** However, evidence shows positive long-term gains of integration outweigh short-term volatility.

Sector-wise Integration Analysis:

- **Consumption:**

- **Highest** correlation/ **integration** (95%) with world growth.
- **Driven by discretionary spending** linked to financial market integration.
- **Reflects income disparity** – top-tier earners (with financial assets) vs. low-income groups focused on essentials.
- **Investment:**
 - Moderate correlation (70%) with global growth.
 - **Corporate capex:** Highly integrated due to influence of FDI and global sentiment.
 - **Household investment:** Less integrated; focused on real estate and small business assets.
- **Exports:**
 - Low correlation (35%) with global growth. **Decline in integration during tariff hikes.**
 - Mid-tech exports (labour-intensive) underperforming, while high-tech exports show promise.

The Trade-Finance Dichotomy – Emergence of Two Distinct Sectors:

- **Financially integrated:** Large firms, high-income earners, professional services.
- **Weak trade integration:** Mid-tech industries like textiles, furniture, toys — low-income groups.

Policy Recommendations and Global Opportunity:

- **Reviving mid-tech exports:**
 - **Critical** to enhance mass consumption, employment, GDP growth, etc.
 - **Sectors** like electronics, textiles, footwear, and furniture hold high potential.
- **Global supply chain shifts:**
 - Potential **second Trump presidency** may accelerate supply chain realignment.
 - India has a chance to **replicate Vietnam's export surge**, capitalizing on low labour costs and existing manufacturing capacity.
- **Reforms as enablers:**
 - **External reforms:** Lowering import tariffs, accelerating free trade agreements (**FTAs**).
 - **Domestic reforms:** Regulatory **deregulation** at Centre and State levels.
 - Need for deep **structural reforms** to convert **potential into performance**.

Conclusion:

- India stands at a pivotal moment where **deepening global integration**, especially in labour-intensive exports, can be **a powerful lever for inclusive growth**.
- Timely policy action — both external (trade openness) and internal (regulatory reform) — will be crucial to leverage emerging global shifts and position India as **a leading participant in future global value chains**.

Reimagining India's Global Integration FAQs

Q1. How has India's global integration evolved from 2000 to the post-pandemic period?

Ans. India saw deeper global integration and higher GDP growth during 2000–2010, shifted towards protectionism with slower growth in 2010–2020, and is currently experiencing stronger financial integration post-pandemic but weak trade integration.

Q2. What explains the higher correlation between India's consumption and global growth compared to exports?

Ans. The higher correlation is due to strong financial integration impacting discretionary consumption by high-income earners, whereas exports remain weakly integrated due to limited trade connectivity.

Q3. Why is India's export growth weakly aligned with global growth, and which export segments are most affected?

Ans. India's export growth is weakly aligned due to protectionist policies and sluggish mid-tech, labour-intensive exports like textiles and furniture, despite high-tech exports showing some resilience.

Q4. What role does financial integration play in shaping income and investment patterns in India?

Ans. Financial integration has disproportionately benefited high-income groups and large firms by boosting income and discretionary spending, while lower-income groups and small firms remain focused on essential consumption with minimal investment capacity.

Q5. How can India capitalize on global supply chain realignments to enhance its trade integration?

Ans. India can leverage its low labour costs and manufacturing base by lowering import tariffs, accelerating trade deals, and supporting labour-intensive sectors to integrate with global value chains, especially if global tariffs rise under a second Trump presidency.

Source: IE

A Chance to Rebuild the Trust, Restore Faith in Air Travel

Context

- The **crash of Air India flight AI171 on June 12, 2025**, in Ahmedabad has **sent shockwaves across the aviation community and the general public.**
- While investigators await definitive data from flight recorders, **speculative media coverage and widespread misinformation have begun shaping public perception**, leading to heightened fear and mistrust.
- Amid these developments, it is **important to analyse the circumstances surrounding the crash, explore plausible technical causes based on available data**, draw parallels to a historical incident, highlighting media responses, and transparency and patience as investigations unfold.

The Rise of Misinformation in the Wake of Tragedy

- In the immediate aftermath of the AI171 crash, **mainstream and social media platforms were flooded with conjecture.**
- Self-proclaimed experts on YouTube and **fear-mongering television segments amplified public anxiety.**
- **Incidents involving other Boeing 787** Dreamliner aircraft were also sensationally reported, despite lacking any direct connection to AI171's crash.
- **These reactions, aimed more at capturing viewer attention than delivering facts, risk distorting public understanding of air safety.**
- Amid this climate of speculation, it is **crucial to await findings from official sources.**
- The **recovery of the Digital Flight Data Recorder (DFDR)** and the Cockpit Voice Recorder (CVR) provides the foundation for an authoritative analysis.
- Furthermore, **the involvement of respected international bodies** such as the United States' National Transportation Safety Board (**NTSB**) and the United Kingdom's Air Accidents Investigation Branch (**AAIB**) **assures a level of impartiality and technical rigor.**

Plausible Technical Causes Based on Available Data

• Technical Clues

- One of the **most compelling eyewitness accounts comes from the sole survivor**, who reported a loud thud shortly after take-off, accompanied by flickering lights.
- **Supplementary evidence** from amateur footage and CCTV recordings shows that **the aircraft used the full length of the runway before lifting off.**
- These **elements suggest an abnormality in take-off performance**, potentially linked to engine malfunction or external interference.
- **Several technical details support this hypothesis.** Ahmedabad's Runway 23 is 3,505 meters long, sufficient under standard temperature conditions.

• Early Indicators from the Crash

- The **temperature on the day of the crash was 37°C**, reducing effective runway length significantly due to decreased air density and engine performance, a factor explicitly addressed in ICAO's Doc. 9157.
- This **reduction to an effective 2,764 meters may have compromised take-off performance**, especially if the aircraft was overloaded, as suspected.
- The **landing gear was reportedly not retracted post lift-off**, increasing aerodynamic drag.
- Furthermore, **visual cues from the video suggest a swing to the right during rotation**, a potential sign of left engine failure.
- A **dust cloud visible behind the aircraft, followed by the cessation of exhaust emission from the left engine**, supports the theory of debris or bird ingestion causing sequential engine failure.
- The **presence of birds in the vicinity and possible ingestion beyond the runway**, where no remains could be recovered, are consistent with this line of reasoning.

• The Weight Factor and Procedural Concerns

- Another important angle is the **aircraft's potential overloading.**

- While official data is yet to confirm this, **reports suggest passengers were carrying excess cabin baggage**, which, combined with duty-free purchases, may have added over two tonnes of unaccounted weight.
- On a hot day with limited runway and degraded engine performance, **this excess could delay acceleration, elongate the take-off roll, and reduce the margin for error** in the event of engine failure.
- Moreover, **questions remain regarding cockpit response**. Why was slow acceleration not detected in time to abort take-off?
- **Why was the landing gear not retracted after liftoff, increasing drag** and compromising climb rate?
- The **answers lie in the forthcoming DFDR and CVR analyses**, which will illuminate whether cockpit workload, technical malfunctions, or decision-making breakdowns contributed to the crash.

Historical Parallels: Learning from Past Incidents

- The 1986 crash of **Indian Airlines flight IC571 bears similarities worth noting**.
- That **incident involved a bird strike and the subsequent rejection of take-off after rotation**, a manoeuvre typically discouraged but ultimately life-saving in that instance.
- **While the pilots faced criticism, the action preserved all lives on board**, highlighting the complex, high-stakes decisions pilots must make under extreme pressure.
- **AI171's captain faced an equally unforgiving scenario**. Nearing the runway's end at lift-off and possibly dealing with partial thrust loss, **he had to make a critical decision with limited options**.
- **Unlike IC571, the situation did not allow room for an effective recovery**, underscoring the limitations even experienced pilots face when multiple variables, heat, weight, engine issues, and time, converge.

Media Responsibility and Public Trust

- The **role of the media in shaping narratives around air disasters is critical**. In the case of AI171, many outlets abandoned journalistic caution in favour of sensationalism.
- Not only does this erode public trust, **but it also undermines confidence in one of the safest modes of transport**.
- Air travel, **including on the Boeing 787 Dreamliner, has a stellar safety record**.
- The **aircraft has served reliably for over a decade**, and while Boeing has been under scrutiny for past failures, notably with the 737 MAX, the **Dreamliner's performance has remained commendable**.
- The **aviation community, regulators, and manufacturers now face a dual responsibility: to transparently investigate and report on the AI171 tragedy** and to actively counteract misinformation that can destabilise public confidence.

The Way Forward: Navigating Tragedy with Patience and Precision

- As speculation swirls, **the need for accurate, data-driven analysis becomes paramount**.
- **While the full picture will only emerge after detailed examination** of flight data, early indicators, engine failure, possible overloading, heat-induced performance degradation, and delayed gear retraction,

suggest a **chain of failures rather than a single catastrophic event.**

- In the meantime, **stakeholders must focus on rebuilding trust.**

Conclusion

- The crash of Air India flight AI171 is a **sobering reminder of the complex interplay between human decisions, mechanical systems,** and environmental variables in aviation.
- **The Boeing 787 remains a highly safe aircraft, and air travel continues to be far safer** than most other forms of transportation.
- **This tragedy, while devastating, should prompt reflection, not panic,** and ultimately lead to a stronger, safer aviation ecosystem.

Source: **The Hindu**

India Needs to Design an Inclusive Pension System

Context

- **Pensions are a cornerstone of financial security and human dignity in old age** and for retirees, reduced earning capacity, rising healthcare costs, and inflation create serious financial vulnerabilities, **making pensions not just a benefit but a necessity.**
- **Despite being one of the world's fastest-growing economies, India's pension assets account for only 17% of GDP,** far below the 70–80% coverage typical in advanced economies.
- This **gap is particularly acute in the informal sector,** which **represents the majority of the workforce.**
- As India aspires to become a developed economy by 2047, **building a sustainable, inclusive pension system must be a policy imperative.**

India's Pension Landscape: Fragmented and Inadequate

- According to the Economic Survey 2025–26, **only 12% of India's workforce is enrolled in formal pension schemes.**
- The **current system disproportionately favours public sector** and organized private sector workers through multiple overlapping schemes.
- In contrast, **informal sector workers, who make up approximately 85% of the labour force** and contribute over half of the GDP, **are largely excluded.**
- Their **only access to retirement benefits comes through voluntary programs like the National Pension System (NPS) and the Atal Pension Yojana (APY),** which together **cover just 5.3% of the population.**
- This **fragmented architecture makes the system inefficient, opaque,** and difficult to scale.
- Moreover, **it fails to reflect the evolving realities of the labour market,** particularly the rise of the gig economy and non-traditional employment arrangements.

- Without a comprehensive reform, **India faces the risk of a retirement poverty crisis, especially as the old-age dependency ratio** is projected to reach **30% by 2050**.

Challenges to Expansion: Scalability, Sensitisation, and Sustainability

• Scalability

- India's existing pension schemes are **fragmented and lack interoperability**.
- The **proliferation of narrowly targeted schemes** has made it difficult to scale the system
- For example, **while aggregators in the gig economy are mandated to contribute toward social security for their workers, this has added another parallel scheme** instead of integrating into a unified structure.
- In contrast, **countries like Japan and New Zealand employ universal, flat-rate pension models** that encompass a broad base of workers regardless of employment status.

• Sensitisation and Accessibility

- **Pension literacy** remains low, **especially among informal sector workers and rural populations**.
- The **voluntary nature of most informal-sector schemes** means that without targeted awareness campaigns and behavioural nudges, **participation remains low**.
- **International models** provide valuable lessons:
 - **Australia** embeds retirement planning into its school curriculum.
 - **The Netherlands** ensures transparency through annual disclosures of pension entitlements.
 - **The UK** operates an **opt-out pension scheme**, encouraging automatic enrolment.
 - **Nigeria** has leveraged digital platforms to increase reach and simplify enrolment.

• Sustainability

- Maintaining the **financial health of pension funds is vital** for long-term viability.
- The **Mercer CFA Institute Global Pension Index 2024** gave India's pension system an overall **rating of just 44%**, with a particularly low adequacy score.
- Even **countries like China, despite their more expansive systems**, are grappling with pension sustainability due to **over-reliance on public funding**.
- In contrast, **nations such as the United States, Denmark, and Australia integrate private sector pension funds into their overall retirement ecosystem**, using diversified investment strategies including debt instruments for stable returns.

The Path Forward: A Three-Tiered Pension Framework

- **Tier I: Universal Basic Pension:** A flat-rate, **mandatory pension for all citizens**, regardless of employment type, funded through modest contributions and government support.
- **Tier II: Occupational or Employer-Based Schemes:** These would be **either mandatory or have auto-enrolment features for employees in both the formal and informal sectors**, with a shared contribution model.
- **Tier III: Voluntary Pension Savings:**

- **Individuals could opt into flexible, tax-incentivised schemes** offering market-linked returns, to supplement their basic retirement income.
- Complementary measures should include:
 - **Nationwide financial literacy campaigns** integrated into school and college curricula.
 - **Transparent, digital pension portals with user-friendly interfaces** for enrolment and tracking.
 - **Annual pension disclosures** for all participants.
 - **Regulatory reforms to ensure prudent pension fund** investments and long-term liquidity.

Conclusion

- **India stands at a critical juncture and the demographic shift** toward an aging population **demands a swift overhaul of the country's pension ecosystem.**
- **A reimaged, inclusive pension framework, especially one that integrates the informal sector, is essential** to ensuring economic security in old age and achieving the vision of a developed India by 2047.
- **A system based on universal access, financial sustainability, and public trust** will not only protect retirees but also **fortify the nation's socio-economic foundation for generations to come.**

Source: **The Hindu**

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