due to higher trade deficit. In 2017-18, India's trade deficit increased to US$ 160 billion from US$ 112.4 billion in 2016-17. Various factors are responsible for this situation:

- **Subdued external demand**: Global economy is still recovering and it is expected to pick up the momentum over the current year. However, current global regime moving towards protectionism and trade wars does not augur well for global trade.
- **Impact of GST** - Operational issues in GST such as delays in input tax credit and Integrated Goods and Services Tax (IGST) refunds for exporters is leading to blockage of working capital. Also, unorganised segment has also not been prepared for high compliance burden.
- **Increase in commodity prices**: Oil imports are now almost over 50% higher by value as compared to last year. Rise in major import items such as oil, gold etc. ends up increasing the trade deficit.
- **Electronics as 'new oil'**: Net electronics imports continue to rise unabated accounting for 25 per cent widening of deficit. Unless, government quickly ramps up the electronic production, given its size, it may emerge as the 'new oil' for India.
- **No commensurate increase in export value**: Exports have failed to match the increase in imports, which are increasing riding back on surge in gems and jewelry imports. Further, India is also losing its competitive edge in core categories like textiles and agricultural exports to other countries.
- **Higher interest rates and bond yields**: This has increased the cost of corporate borrowing making it difficult to service corporate debt and putting highly leveraged corporate balance sheets further at risk.

India needs to take the benefit of the synchronized global recovery through trade facilitation and competitive products. Moving forward, it also needs to ensure robust credit growth, establish proper infrastructure to facilitate efficient supply chain linkages, capture new export markets and increase investors' confidence to boost its domestic growth.

16. It will take much more than relief packages to address the problems being faced by the sugar industry in India. Discuss.

Approach:

- Giving a brief overview, mention the problems faced by the sugar industry.
- Discuss the government approach to solve these problems and the pitfalls associated with them.
- While addressing the core problems related to the issue, provide some sustainable solutions for it.

Answer:

Sugar industry is the second largest agro-based industry. Around 50 million sugarcane farmers and 7.5 per cent of the rural population are involved in cultivation of sugar, harvesting and related ancillary activities in India.

Sugar industry in India faces **problems** such as:

- **Pricing issues**
  - Due to record domestic sugar production this year, price of sugarcane crashed, thus leading to demands of raising Fair and Remunerative Prices.
  - Generally politically motivated State Advisory Prices (SAP) is more than Central Government's FRP, thus resulting into high arrears to be given to farmers by mills.
- **Policy issues**
  - Supply sales side (Levy sugar, Monthly release mechanism, export & import, packing in jute bags requirement)
  - Cane control side (Cane pricing issue & minimum distance criteria between mills)
- **Sugar mills**: Most of them have limited crushing capacity, outdated machinery, low rate of recovery, high cost of production which reduces the amount of profit, thus making the unit unviable and sick.
- **Increasing competition**: Utilization of one third of sugar cane by Gur / Khandsari industry without any control causes shortage of cane in the sugar mills.