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Part 1

Gross Domestic Production:

Gross Domestic Production is one of the broadest quantitative measures to indicate the total economic activity of a country for a specific time period usually a year. In technical terms, Gross Domestic Product is widely used for the representation of the monetary or financial value of all the products or goods and services produced within the geographical boundaries of a country for a specific time period (Leamer, 2009). The equation used in calculation of Gross Domestic Production is as following:

GDP= C+I+G+X-M

Where;

C= Consumption, I= Investment, G= Government Expenditure, X= Exports, M= Imports

Calculation of GDP in India:

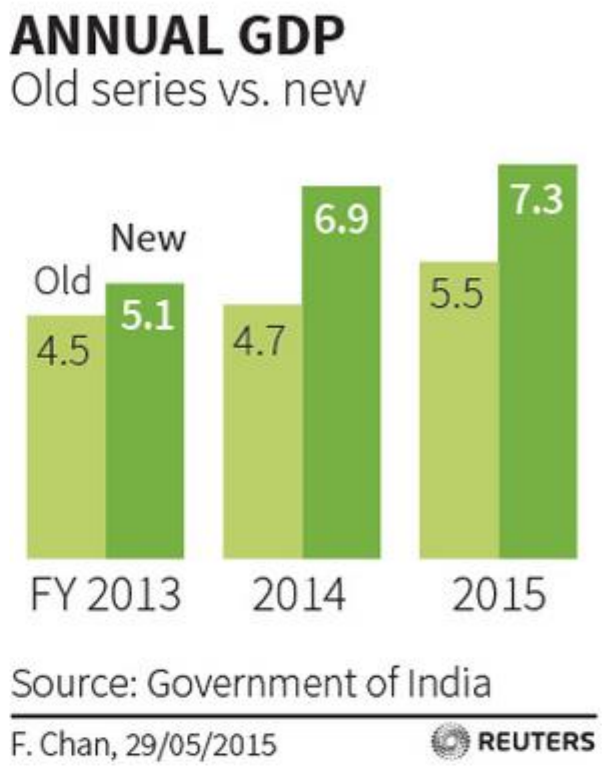
The Gross Domestic Product has been considered as the godfather of all the economic indicators used to indicate the economic growth of a nation. Since 1981, Indian Economic Policy has been mainly focused on the generation of wealth through growth in Gross Domestic Product (SIVA, 2015). For a long period of time, GDP has been serving as the economic measure which contains the most significant information for both the private and public agents in order to not only review but also the economic development to take vital decisions about the future of India. Generally, GDP is defined as the total value of all the produced goods and services within geographical boundaries of a nation for a specific time period but only few people have the ides how the actual figures are derived (Reid, 1968).

The calculation of GDP in India has often mistakenly taken as only government taxes have been used in it. Some other people think that financial institutions like the Reserve Bank of India and the Prime Minister’s Economic Advisory Council take part in the calculation of GDP on independent basis. Both of these ideas are wrong, as the CSO figures are being used to forecast or work out the predictions about growth in Gross Domestic Product. As far as the data collection for calculation of GDP in India is concerned, it is compiled by the central and State Ministries, Independent Departments and other Governmental institutions (Goldberg, 2008). These institutes include Department of Industrial Policy and Promotion, Ministry of Commerce and Industry which provide authentic production data to the CSO. In the same way, the commodity-wise data on the import-export, production, crop, area, WPI, CPI is collected and analyzed by the Price Monitoring Cell, Department of Consumer Affairs, Ministry of Consumer Affairs and the Food and Public distribution (Crowe, 2015).

The traditional calculation of GDP in India has been recently changed as government has adopted a new method which integrate a more credible and accurate data. This switching of method used for calculation of GDP by Indian government incorporates a different base year for the variation in price level (Pao & Tsai, 2011). This new method measure gross Domestic Product at the market price however the old method include measurement on the basis of Factor Cost. For the fiscal year which ends in March 2014, the Indian statistics Ministry examined an incredible growth in the economy by 6.9% (Worstall, 2015). The reason behind this significant growth is the switching of measurement of Gross Domestic Product from Factor Cost to the Base Year in order to examine the growth rate and development of Indian economy.

The recent change in economic growth rate of India has been compared with China which was previously considered as the fastest growing economy all around the globe. For instance, in December Quarter the growth rate of Indian economy was 7.5% whereas, for the same time period Chinese economy grew by 7.3% (indianexpress.com, 2015). it has been said that the innovative technique used by Indian government is actually rebasing under which the Gross Domestic Product has been calculated on the basis of price level and market structure for a base year. The key feature worth to highlight here is the fact that in calculation of Gross Domestic Product changes periodically because the figures of Gross Domestic Product calculated for a particular time period often become irrelevant for others (Goldberg, 2008). Technically, Indian government is now calculating Gross Domestic Product under the method of Base Year to measure the economic growth and output for a specific year (Crowe, 2015). According to the government's Statistics department, the new method is more reliable with the overall global practices as it provides a much better and credible picture of the economic growth.

Annual GDP of India:



Explanation:

The above graph indicates the comparison of Annual Gross Domestic Product of India by Old series vs. new one. For the Fiscal year 2013, the calculated GDP by the old method was 4.5% whereas new method showed it 5.1%. Similarly, for 2014 the economic growth measured by old technique was 4.7% which was much lower than the 6.9% by the base year method. For fiscal year 2015, this growth was 7.3% by the new method however old method indicates it as 5.5% only (Leamer, 2009). As indicated by separate lines in graph, the new method adopted by Indian government for measurement of economic activity (Gross Domestic Product) has projected the country as the fastest growing economy all around the globe (SINGH, 2015).

PART 2

Import Restrictions:

Import Restrictions refers to the series of tariff and non-tariff barriers imposed by country in order to control the volume or quantity of goods imported into a country from other trading nations (Ahluwalia, 2002). There are different types of import quota however the most prominent one includes the import quotas or tariffs, restrictions on the amount of foreign currency available to cover up imports, the imposition of import surcharges and the restriction rather prohibition of various categories of imports. In technical terms, trade restrictions can be categorized into two main types' tariffs and the quantitative restrictions (globalization101.org, 2015). Tariffs refer to the imposed taxes by government on the imported goods on their entry into the borders of a country.

On the other hand, Quantitative restrictions are the second name to limit or restrict the access to imports by making them scarce which ultimately makes them expensive (Ahluwalia, 2002). There are several reasons for which a government imposes certain restrictions on the import of goods and the most prominent one among them can be listed as following (globalnegotiator.com, 2015).

a) To provide economic protection to the domestic companies and producers.
b) To avoid low or inadequate quality products from other countries usually the undeveloped countries.
c) To defense the industry by protecting the infant manufacturing sectors.

Restrictions on Import by Indian Government:

A: Restrictions on Imports from United States of America:

There are certain barriers on the trade between two economic giants India and United States of America. According to the economic experts of United States of America, the size of trade with India can be remarkably increased up to 66% after removal; of the trade and non-trade barriers from the Indian government. The report commissioned by the House Committee on Ways and Means and the Senate Committee of Finance highlight the fact that Imports of India from United States of America is considerable low or below the potential level mainly because of the trade barriers by Indian government (Ahluwalia, 2002).

India's Trade with United States of America:

Source – Ministry of Commerce, India

Explanation:

As indicated in the graph, the strict import policies by Indian government have directly affected the healthy pattern of trade. It has affected the U.S companies doing business in India for a long period of time along with several other trade and non-trade barriers which has 60% affected the amount of exports from United States of America to their shipments to India. The blue part of bar in graphical illustration of India's trade with United States of America is the amount of exports and the yellow part shows amount of imports. For different fiscal years, there remain a clear difference between the amount of imports and exports between both the countries mainly due to the import restrictions by Indian government (Palo, 2014).

The United States International Trade Commission categorized the main import barriers by India as Tariffs, Custom Procedures, Foreign Direct Investment, Local Content restrictions, treatment of intellectual property, taxes and other financial regulations and the regulatory uncertainty. As far as the losing side of these restrictions is concerned, they are the companies of United States of America. As a matter-of-fact, the companies from United States of America reported that their business is directly hit rather negatively affected by the customs and tariffs procedure of India. Beside these two there are other import restrictions as well including direct taxes, financial regulations and the investment and intellectual property policies which have adverse impacts on the leading sectors on economy including Pharma, Media, ICT, E-Commerce and Alcohol (ustr.gov, 2015).

According to these companies, the elimination of these trade barriers would boost up the amount of Imports from United States of America in India along with remarkable increases in investment.teh United States International Trade Commission indicate several other barriers from India on the imports from United States of America of the automobile, solar and agriculture products. Apart from the disadvantages of Import restrictions by Indian government on imports from United States of America, there are certain advantages too. The most prominent one among them is to provide protection to the domestic industry as increase in the amount of import directly affects the manufacturing or production sector of the nation. Therefore, it can be said that it is the infant industry of India which directly benefits from the import restrictions on companies from United States of America (Palo, 2014).

B: Import Restrictions by India for Balance of Payment Reasons:

While discussing the import restrictions by India it is important to discuss the restrictions imposed by Indian government for the Balance of Payment reasons. In order to restrict or limit the wide range of even more than 3,300 items, Indian government has been invoking the GATT article XVIII regarding the Balance of Payment provisions. The key feature worth to highlight here is the fact that these provisions are part of the import policy by Indian government for a long period of time since 1960. In economic terms, the trade restrictions imposed in the name of

Balance of payments are supposed to be for temporary time period, but the imposition of these since 1960 by Indian government has been criticized (ustr.gov, 2015).

The broad range of restricted items also includes the consumer goods which are not included in the restrictions for balance of payment reasoning. Therefore, it has been said that the underlined import restrictions are not for the sake of BOP rather to achieve the industrial policy objectives. Moreover, the General agreement on Tariffs and Trade 1994, allows the measures for restricted import taken only for the balance of payment purposes in order to control or restrict the general level of imports in the country. There are certain reasons behind why Indian government is imposing such restrictions since 1960 however; the most important one is to boost its export sector as restrictions on import will ultimately enhance the economic activity in the country with incredible growth in the manufacturing sector. Indian government has claimed that the Special Import License is justified under the article XX of GATT (meti.go.jp, 2010).

On the other hand it has been criticized as this system is taken for the encouragement rather promotion of the export sector and not appropriate for as the method to achieve the main purpose of Article XX of GATT. Therefore, it is not rationale to justify the trade restrictions imposed by Indian government for Balance of Payment reasoning under Article XX of GATT. (meti.go.jp, 2010)

Part 3

Protectionism:

Protectionism is the significant economic term which is used for the theory regarding protection of a country's domestic industries and manufacturing sectors from the foreign competition with the help of import restrictions. In simple words, protectionism is the policy implicated by many developed nations in order to protect the domestic industries from the global competitors. This protection has been provided with the help of trade restrictions on the trade of goods and services between different countries (economist.com, 2013). Under protectionism, government of the country increase the amount of import quotas or tariffs, Embargoes (complete ban or restriction on the imported goods), import licensing, subsidies and the exchange control.

This increase in the amount of trade or import restrictions ultimately benefits the domestic economic sector by increasing the prices of imported goods which not only make them expensive but also less attractive for a domestic consumer (economist.com, 2013).

India is one of those leading nations which use Protectionism in order to safeguard their infant industry and industrial sector. Although, Protectionism has been used like a defensive measure by India but according to criticism if it lasts for long term than it will ruin the industrial sector. In simple words, it will turn the industrial sector to be less competitive in the global market (economicsonline.co.uk, 2015).

Like all other economic theories and policies, Protectionism has also been reviewed from both aspects of it including the positive (advantages) and the negative one (disadvantages). In economic terms, Protectionism is the action and policies regulated by government to restrict or limit the flow of international trade with major focus on the provision of protection to the local business and jobs from the foreign competition. The classic or traditional measures of protectionism include Import Tariffs, subsidies, Quotas and the most significant is the Direct State intervention. In international economics, Protectionism is the measure opposite to the proposition that people within an economy will be comparatively better if they specialize in what they do best. India is one of those leading nations which have remarkable economic growth and progress despite of the fact that they are protectionist nations (Sharma, 2013).

As a matter-of-fact, India is now over taking the place of China as the fastest growing economy in world. On the other hand, there is a key difference in the economic set up a behavior of both nations as India is still reluctant to adopt the competitive measures to allow the foreign firms to invest or have access to their dynamic economic process. In simple words, Indian government as being supporter of protectionism is not in favor to give foreign companies a considerable access to the domestic markets (Sharma, 2013). Protectionism revolves around a prominent economic theory which mainly emphasize on the minimization of free trade between different nations. Currently, there is considerable number of nations which practice economic protectionism including India. As supporter of Protectionism, India believe that the manufacturing or production of goods should be at domestic or national level rather than in the global setup. The main dispute among the supporters and opponents of Protectionism is the discussion in favor and against of the use of tariff as a significant economic policy instrument (Pitts, 2013).

In a contrast to the merits and demerits of Protectionism, free Trade has been presented as more effective and goal oriented. The biggest demerit of Free Trade is the adverse effects on domestic industry along with the degradation of workers. To counterpart the demerits of free trade, Protectionism is perhaps the best option. There are several features which increase the significance of Protectionism over Free Trade (economicsonline.co.uk, 2015). Following is a brief but authentic description of the benefits or advantages of Protectionism.

A: To keep Domestic Industry Growing:

The first and foremost advantage of Protectionism is that it keeps the domestic industry growing. With the decrease in amount of imports, domestic firms will have to affect less competition and therefore they can be more focused to increase their production level. Protectionism also strengthens the domestic industry as it decrease the ratio of unemployment. With the increase in the employment opportunities the domestic firms will be able to produce and sell more goods with minimum chances to decrease its cost by reducing the total work force.

Those having jobs will ultimately take part in consumption which will allow the economy to flow in the desired path (globalenvision.org, 2015).

B: Less Competition in Export Market:

The policy of Protectionism makes the domestic industry less competitive in the export market as the imposed import restrictions raise process through the higher costs. Technically, the higher costs for mediocre inputs will increase the export goods more expensive followed by decrease in the market share against the international competition (globalenvision.org, 2015).

C: Opportunities for New Firms:

Practical implementation of Protectionism allows the new and upcoming firms to work and get a considerable position in the domestic market with no fear of competition or fear from the more experienced or foreign companies. Consequently, there would be remarkable chances for the new firms to grow and progress until they get the enough space to compete with the leading firms in global market. It also encourage rather promotes the positive economic features for the domestic industry and economic sector in future (globalenvision.org, 2015).

D: Elimination of Dumping:

Protectionism plays a major role in elimination of Dumping in which the foreign and bigger economies enter into an economy to sell their goods at a lower price than the costs of production. Dumping leads the domestic consumers to pay more than the consumers in the overseas markets (globalenvision.org, 2015).

E: Monopoly Power:

Another support provided by protectionism to improve the economic well being of a country when it has monopoly in the production of specific good over other countries. According to the economists, if a country which have advantage of producing large percentage of a specific output can impose an optimum tariff to take the advantage of its underlying monopoly power. It also results in gain from trade. This situation is similar to the situation in which monopolist maximizes profits by increasing the process level and decreasing the amount of outputs (globalenvision.org, 2015).

Apart from advantages of Protectionism, there are some of the disadvantages too and the most prominent among them is the restrictions or barriers it imposes on the application of Free trade. Next disadvantages are related to the protection it offers to the domestic firms which compete on a single platform, of price over quality. According to the critics, the false sense of security or protection to the domestic or infant industry serves as a measure for denial of easy access and availability of certain products to the domestic consumers.

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