

(h) The tariff that maximises a country's welfare is called

(i) effective rate of tariff

(ii) optimum tariff

(iii) revenue tariff

(iv) protective tariff

2. Write notes on any *four* of the following (within 150 words each) : $4 \times 4 = 16$

(a) Mill's approach to distribution of gains from trade

(b) Potential gain and actual gain from international trade

(c) Factors affecting international capital movements

(d) Functions of foreign exchange market

(e) Functions of WTO

Answer the following questions (within 500 words each) :

3. (a) Explain with suitable examples and diagrams, the theory of comparative cost. Point out the major weaknesses of the theory. $8+4=12$

Or

(b) Discuss the Heckscher-Ohlin theory of factor abundance in terms of factor prices. Why is it superior to the classical theory of international trade? $8+4=12$

4. (a) Explain with suitable diagrams, how the following factors affect the terms of trade of a country : $4+4+3=11$

(i) Reciprocal demand

(ii) Tariff

(iii) Changes in technology