

(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) : 4×4=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