

(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