Thanks for the concerns of honorable referees. I have gone through the review of both and I am trying my level best to answer all the queries.

1. This model is formed on a Neoclassical Heckscher-Ohlin-Samuelson type set up with specific factors. Here we assume a small open economy which is characterized by the existence of full employment and perfect competition in both product and factor markets. Production functions are subject to constant returns to scale and constant elasticity of substitution. The assumption of specific factors (the existence of sector specific foreign capital) has been hired from the popular general equilibrium models like Beladi and Marjit (1992a), Beladi and Marjit (1992b), Marjit and Beladi (1996), Marjit, Broll and Mitra (1997), Oladi, Gilbert and Beladi (2008), Mondal and Biswas (2015). In such works the foreign capital has been assumed to be sector specific. This behavior of the foreign capital can be said consistent to the functioning of multinational corporations (Oladi, Gilbert and Beladi(2008)) which has been introduced in the model as foreign enclave. In such sector only the skill labor is used. My main objective is to check the propositions of famous Brecher-Alejandro Benchmark Model and Beladi and Marjit (1992a) model under a set of slightly different set of initial conditions.

2. The Heckscher-Ohlin Model (it is expected that citation of this famous model is not required here) is based on the competitive marginal cost pricing e.g.

   $w_S a_{SM} + r a_{KM} = P_M, P_M$ is determined exogenously as the economy is assumed to be a small open economy. ($a_{iM} =$ Amount of ith factor required to produce 1 unit of output in domestic manufacturing sector ¥ $i = S, M$)

   Given the price if w_S rises then r falls to maintain the competitive zero profit condition (assumption of H-O-S type model of general equilibrium) this is the base of famous Stolper-Samuelson Theorem. Hence if a sector uses skilled labor and domestic capital, a rise in the rental

rate would automatically reduce the wage rate of skilled labor with constant commodity price to maintain competitive marginal cost pricing and vice versa.

3. The linkage between the rental rate of foreign capital and the rental rate of domestic capital are the wage rate of skilled labor and the constant prices of commodities. Given the price of the output of foreign enclave if the rental rate of foreign capital declines, the wage rate of skilled labor would increase (to maintain the competitive zero profit condition). Given the price of the output domestic manufacturing sector the rental rate of domestic capital must fall as a consequence of rise in wage rate of skilled labor to maintain the competitive zero profit condition. Similarly, if the rental rate of domestic manufacturing sector rises that would cause a decline in wage rate of skilled labor. Consequently the rental rate of foreign capital would automatically rise in the foreign enclave.
4. The existence of equilibrium is based on two relations, the positive relationship between output of domestic manufacturing sector and rental rate of domestic capital that maintain equilibrium in domestic capital market and negative relationship between them that maintain the equilibrium in the market of skilled labor. Hence, my model doesn't say unambiguously whether the relationship is negative or positive.
5. Now this time to address the fact why the domestic capital should move to the agricultural sector as a consequence of increase in inflow of foreign capital in foreign enclave. One thing is to be remembered that the model assumes domestic capital to be perfectly mobile within domestic agricultural and manufacturing sector. The analysis starts from a situation while the product and factor markets are in equilibrium (rental rate of domestic capital identical in both agricultural and domestic manufacturing sector). Now we consider an increase in inflow of foreign capital. That would reduce the rental rate of foreign capital and hence increase the wage rate of skilled labor in foreign enclave. Due to factor mobility there would be a movement of skilled labor from domestic manufacturing sector to foreign enclave unless the wage of skilled workers become

same in both sectors. To maintain the competitive zero profit condition a rise in wage of skilled labor would be followed by a decline in rental rate of domestic capital. Hence there arises an inequality between the rental rate of domestic capital in domestic manufacturing sector and that in agricultural sector (the latter is higher than the former) causing a flow of capital from domestic manufacturing to agricultural sector which is followed by a decline in rental rate of domestic capital in the agricultural sector (movement of domestic capital would cause a decline in the marginal productivity of capital and increase in marginal productivity of labor and as per marginal productivity theory of distribution reward of a factor is determined by the marginal productivity of that factor). Consequently, to maintain the competitive zero profit condition the wage rate of unskilled labor should rise. If domestic capital were not perfectly mobile between domestic manufacturing sector and foreign enclave we could think of a substitution of skilled labor by domestic capital in the domestic manufacturing sector.

6. The conclusion of this model regarding the welfare differs from that of Beladi, Marjit (1992a) model because of the typical production pattern. The difference stems up from the fact that unskilled labor is specific to domestic agricultural sector. This assumption is hired from Oladi, Gilbert and Beladi (2008) model. In this model the non-traded sector uses domestic capital and unskilled labor. We have taken it in context of India where skilled workers do not work at the agricultural sector. Hence agricultural sector appoints only the unskilled labor force.
7. If we consider that foreign capital mobile within domestic manufacturing sector and foreign enclave, the model would no longer remain non decomposable and that could change the functioning and comparative static of the model. Nothing can be predicted unambiguously in that case.

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