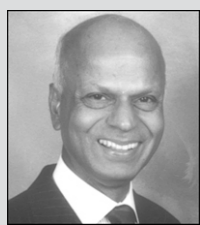


Dollar and the world economy



CHAKLADER MAHBOOB-UL ALAM writes from Madrid

LAST week, the Federal Reserve issued a statement making it clear that it would maintain US short-term interest rate at a 45-year low of 1 per cent for "a considerable period".

The initial reaction of the stock market was favourable. For the first time since May 2002, the Dow Jones industrial average rose above 10000.

Now one may well ask, why are we making all this fuss over the exchange rate problem of one single currency? What is so earth-shattering about the news of the plunging dollar?

transactions are made and the economic data stated. The other important point about the US currency is that most of the foreign exchange reserves of central banks are in dollars.

Americans has to a great extent been responsible for the export-led economic growth in many parts of the world among which South and East Asia figure prominently.

What is the current situation of the American economy? According to government sources, GDP grew by 8.3 per cent in the third quarter and company profits rose dramati-

exchange scandals do not help matters. According to the University of Michigan, consumer confidence dropped to 89.6 per cent in December from a November's 93.7 per cent.

European Commission forecasted a further growth in exports. But now the rise of euro against dollar will make it very difficult to achieve this goal. The EU central bank may be forced to cut its benchmark interest rate.

Even if, in a year or two, the US can manage to correct its current account deficit by exporting more and controlling its citizens' spending spree and even if, in the same period of time, it can manage to reduce its budget deficit by increasing taxes and pruning government expenditure, for the sake of long-term stability of the world economy, the central banks and the investors should restructure their currency reserves and portfolios by concentrating less on dollar and more on diversification.

LETTER FROM EUROPE

Even if, in a year or two, the US can manage to correct its current account deficit by exporting more and controlling its citizens' spending spree and even if, in the same period of time, it can manage to reduce its budget deficit by increasing taxes and pruning government expenditure, for the sake of long-term stability of the world economy, the central banks and the investors should restructure their currency reserves and portfolios by concentrating less on dollar and more on diversification.

tion rates, interest rates and even the relative size of economies" of the world (The Economist).

Actually the price of a foreign currency is largely determined by the forces of supply and demand, hence the importance of having a surplus or a deficit on the current account. Persistent current account deficit of a country creates pressure on its currency.

On the other hand, a weak dollar makes American products cheaper. Therefore, it should benefit its export market, which would give a much-needed boost to the American economy.

Can we trust these figures? Has the GDP been manipulated? Have the profit figures been massaged? Given the Bush administration's reputation as spin masters, the doubts seem reasonable.

While the export-led economies of East Asia are booming (their central banks have been buying dollars to slow down the appreciation of their currencies against the dollar, the currency of their prime export market) and although overstated, the American economy is also growing.



KAL BALTIMORE SUN Baltimore USA

Competitive strategy and real estate development

AHMAD TAWFEEQ HUSAIN

GOOD real estate management is critical to being successful. In fact, even if you do everything else properly, you've got big problems if you don't know how to manage the houses and the tenants.

Past modes of behaviour probably will not carry you through the next decade. The questions are how do you think about the strategy for your business and how do you do that in a constructive way.

Looking at any industry, one comes across two basic questions that has to be answered if to develop an effective strategy. The first question has to do with what's going on in the industry itself.

Real estate isn't just an industry. It's a whole sector of economy. It is composed of many distinct businesses, each of which is an industry. So developing shopping malls, putting up prime downtown commercial space, and even brokerage are all industries.

The second basic question in strategy has to do with one's position within the industry. No matter where you are operating, you are to decide exactly how your company is going to compete and how you are going to position your company to be a superior performer.

How can you understand your industry vis-a-vis the competitive environment, and how can you understand how to position your company within that environment?

are four forces of competition. The first is rivalry amongst competitors. This takes many forms. One of which is the threat of substitute products or services.

The development business is driving a lot of economics that is facing the other businesses within the real estate sector. In development, it's useful to think of two buyers: the tenant and the financial buyer.

Now what has been happening to the industry over the last decade? Entry barriers have been low and a lot of new competitors have come in. Some of that competition has come from financial buyers.

We see all kinds of modifications in the nature of contracts, the structure of deals, and the way in which deals are cut. This is a reflection of the rising competition in the industry.

This is bad enough but what is more disturbing is what has been happening on the buyer side. On the tenant side, we not only have fewer tenants but we also have fewer large tenants who can come in and essentially guarantee that your project is going to be successful.

Basically in any industry, there are four forces of competition. The first is rivalry amongst competitors. This takes many forms. One of which is the threat of substitute products or services.

who are really in between you and the tenants have grown and consolidated. They have always been there but their role as a bargaining force against you has accentuated the structural problems.

Now let's talk about the segments in terms of property types and target customers. There are many different types of projects and many types of customers. In the retail side we have malls, strip centres, power strip centre, outlet centre. Each of them is a little different.

I think there are really two critical dimensions for success in real estate business. The first is finding the good deals. Finding those projects, those tenants, those locations that are going to be economically attractive.

Why do you build a project well once you've found one? You build it well because you have the knowledge and resources and expertise that have grown out of experience of doing that kind of project.

Ahmad Tawfeeq Husain is a civil engineer.

Just a phonecall away...

NAEEM MOHAHEMEN

TWO years ago, I lost my credit card on a business trip. Dialing American Express' 800 number, I asked the polite customer rep to read the list of recent charges.

"Excuse me," I interrupted. "Where are you?"

"Oh, we're American Express' Call Centre in Bangalore, India."

That was it, we went back to the task at hand and she efficiently finished the job in a few minutes.

Going through daily life, I started noticing this more often. When I called AOL to try to cancel my account for the fifth time, the helpful lady giving instructions was in India.

A few months back, a new pattern began to emerge. Suddenly, the customer service reps weren't eager to divulge where they were from.

But can the genie be put back inside the lamp?

Outsourcing, BPO (Business Process Outsourcing) and "Offshoring" are new terms in our vernacular. India is at the red-hot centre of this skill-based revolution.

Major US companies now have branches in India -- either doing IT work, or back-office support.

Outsourcing is an incredibly complex economic and ethical issue, with winners and losers on both sides. Yes, why shouldn't Indians (and by extension, Bangladeshis) have a chance to improve their living standards?

(\$7.7B) and Canada (\$3.7B). Analysts forecast that, by 2008, Indian IT services and back-office support will grow to a \$57 B annual industry with four million workers.

research, airline industry and work for the U.S. Postal Service. India has two key strengths-- a gigantic technology and science infrastructure which churns out hundreds of thousands of graduates each year, and the use of English at all stages of education as a unifying language.

OfficeTiger, which employs 1,200 people to do research and analysis for eight Wall Street firms. Finally, there are GE Capital's four Indian centers, which design statistical models, prepare data for GE annual reports, write software, and process \$35 billion of global invoices.

As anger builds over claims of lost jobs, American unions have emerged as aggressive opponents of outsourcing, often with a thin patina of xenophobia in their rhetoric.

SHOBAK

Of Technology Workers (WA) and Rescue American Jobs have all been pushing politicians to pass "Buy American" legislation to limit federal agencies from sending jobs overseas.

Not everyone accepts the unions' arguments. In England, the Guardian applauded the irony of the new power structure. "Britain's empire is striking back. Former colonies have found a silver lining in the bitter legacy of conquest: English, the language of former masters, is a competitive advantage in the global economy."

Naem Mohaiemen is Editor of Shobak.org. Additional Research: Udayan Chattopadhyay

and it is impossible to calculate how much of these job losses are also due to the overall recession. Job loss estimates range from 600,000 jobs by 2005 (Forester Research) to two million jobs by 2008 (Deloitte).

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TechsUnite.org (CA), Alliance

one of their centers overseas, a spirited debate erupted on the BBC website. From London, Theresa Law wrote, "Give me an intelligent, well-educated, polite Indian on the end of a telephone handling my customer queries, over an ignorant, rude, unhelpful and unwilling British call handler any day!"

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The story of 'turkey' and 'rat'

M. SHAFIULLAH

OLD habits die hard has once again proved right by one of the most condemned men on earth when he summoned Goebles to his rubbish-filled tomb.

Goebles had a good reason not to carry old baggage to the after-world. But then to avoid giving offence to a life-long master both agreed to settle down to events that escaped attention of probing lances.

In late November Goebles reported that never in history a mighty Commander-in-Chief undertook a Transatlantic journey just to share 'Turkey' on Thanksgiving Day with his beleaguered troops in the desert.

The Air Force One flew in for the Commander-in-Chief to view in person soon after his troops brought the most wanted 'Rat' out of a hole in a farm house.

Western viewers were tuned to swallowing every inch of the TV footage. In Arab streets the 'catch' was doubted. Some of the unsuspecting Arabs thought it was a doppelganger.

Former Ambassador M. Shafiqullah served Arab countries both at the Foreign Office in Dhaka and Bangladesh Missions in that region for several years.

The story of 'turkey' and 'rat'

The dictator disdainfully refused to leave -- probably to Russia -- to save his dynasty, spare widespread killing of Iraqis and destruction of the country at the hands of invaders.

The verdict has already been pronounced on his life. Now it is just a matter of time for the Neo-cons to draw new lines on the Shiite, Sunni and Kurdish divide leaving the Iraqis to be at each other's throat.

Fuehrer heard in rapt attention of the world that he had to leave in defeat but escaped personal disgrace, wanted to know what had happened to 25 million dollar Texas styled reward poster.

Good luck for Goebles! He 'got it' sooner than he had expected. His very able informers worked overtime to dig out the fact that had happened in the following sequence:

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