Please read the following stories, and answer any "**two**" of the following three questions. 50 credit points for each question.

More foreigners investing in American real estate

Weak dollar, low mortgage rates make housing attractive

The Associated Press

Updated: 12:24 p.m. ET April 22, 2005ORLANDO, Fla. -

Orlando, Fla. real estate agent Gordon Adams has been selling homes to foreigners in the area. The U.S. real estate market is so strong, interest rates so low and the dollar so weak, that houses, buildings and other property are becoming the investment of choice for many foreigners.

There's a new group of buyers in the U.S. real estate market: foreigners. A weak dollar and relatively low mortgage rates have turned houses and other real property into the investment of choice for a growing number of people from other countries. Some see real estate as a better way to earn money than stocks or other securities, while others are interested in using the properties themselves.

Ana McColgan, of Donegal, Ireland, is in the market for a three-bedroom home in the metro Orlando area.

"We keep coming over there anyway, so I'd rather have it than pay for hotel rooms," said McColgan, who's married with two children. "Maybe we could rent it out to offset the cost of having it."

Lowerys USA, which specializes in helping British buyers find properties in central Florida, saw sales increase threefold last year to $15 million.

"There has been a tremendous sales binge going on here for about 15 months now," co-owner Roy Young said.

Historically, coastal areas have gotten the most attention from foreign investors; the East Coast was attractive to Europeans, while the West Coast appealed to investors from Asia. But the recent boom in foreign investment has included areas such as Atlanta, Chicago and Las Vegas, said Mark Levine, director of the Burns School of Real Estate and Construction Management at the University of Denver.

"We have seen this grow from coastal areas to major cities across the U.S.," Levine said.

A favorable exchange rate has been a big factor in the increase. The dollar has fallen significantly over the past three years against the 12-nation euro and the British pound. This week, a euro has been worth about $1.30, and a pound about $1.90.

"There is a sense that the falling dollar does make U.S. real estate more attractive because, relatively speaking, homes are more affordable than they are in other countries," said Walter Molony, a spokesman for the National Association of Realtors.

The weak dollar played a role in Howard Gould's decision to purchase a four-bedroom, three-bathroom home in Kissimmee, near Walt Disney World, for $260,000 last September as a rental-home investment. The Briton wasn't deterred by three hurricanes that had passed recently through the region.

"We bought at what we thought to be a good exchange rate," said Gould, a director of a turnaround and management company in Leeds, England. "We chose Florida because we like it there. We thought property, at least in that particular area, would appreciate at a fast rate."

Mortgage rates are also a draw. While 30-year fixed rate mortgages hit an eight-month high of 6.04 percent at the end of March, they have retreated since then and are still quite low by historical standards.

1. Do you think investing in foreign real estates whenever the home currency appreciated a good idea? If your answer is yes, you probably think that real estate is a kind of tradable good. If real estate is a tradable good, will it follow the law of one price? Please make your own assessment.

Argentine Economy Minister Defends Plan

April 11, 2005 10:26 AM ET · By JOSEPH COLEMAN

Argentina's economy minister on Monday defended his government's debt restructuring plan amid criticism that it wasn't negotiated in good faith and left too many creditors out in the cold.

Under the plan, Argentina offered its creditors new bonds worth about 33 U.S. cents for each dollar of its old bonds. The South American country defaulted on some $82 billion in bonds after its economy collapsed in December 2001.

About 76 percent of creditors accepted the deal, but holders of about $20 billion of the debt have refused, and Japanese Finance Minister Sadakazu Tanigaki accused Buenos Aires on Sunday of not adequately negotiating the restructuring before going ahead with it.

Argentine Economy Minister Roberto Lavagna was unrepentant in a speech at the annual meeting of the Inter-American Development Bank in Okinawa on Monday.

He argued that Argentina had little alternative but to proceed with an unprecedented restructuring plan considering the absence of fresh money from the International Monetary Fund and the depth of the country's economic crisis.

"Much of the international criticism and misapprehension stems from the failure to comprehend these differences, which has been a source of friction and frustration," Lavagna told a morning session of the 47-member, Washington, D.C.-based bank.

Lavagna also suggested that international financial institutions shared the blame for Argentina's economic problems by pushing indebted countries to come up with restructuring plans that satisfied creditors, rather than making sustainable economic growth the top priority.

"This is the logic that kept on artificial respiration an economy ... like Argentina's, which was losing steam and seeing social exclusion worsen and the debt burden swell," he said. "That logic inevitably ends in crisis."

The speech follows a lengthy, complicated spat over Argentina's debt-swap. Some creditors are challenging the plan in the U.S. courts, and an American judge last month lifted a freeze on $7 billion in bonds, but then stayed his own order until the 2nd U.S. Circuit Court of Appeals could review it.

In Okinawa, the United States tried to stay out of the conflict. On Sunday, U.S. Treasury Undersecretary John Taylor told reporters that the issue was between Argentina and its creditors, and called for more dialogue.

International lenders are also concerned that the Argentine plan could set a precedent for other deeply indebted countries. Lavagna, however, rejected that, saying that Argentina suffered from unusually deep economic problems that required bold solutions, and that the experience was not a model other countries should follow.

2. Suppose you are one of the creditors, what is your decision? Will you accept the Argentine plan, or follow the other 20% creditors, reject the plan, and file a law suit against Argentine government? Please explain your reasons.

U.S. Trade Deficit Hits $61.04B in Feb.

April 12, 2005 5:11 PM ET · By MARTIN CRUTSINGER

The U.S. trade deficit hit a record monthly high of $61.04 billion in February as imports of oil and textiles surged while American exports barely budged. The deficit figure sent tremors through Wall Street with investors worrying that the huge amount of foreigners' money America needs to finance the deficit could at some point trigger a freefall in the dollar and aggravate U.S. inflation problems.

The February deficit, which was up 4.3 percent from a January trade gap of $58.5 billion, was seized upon by Democratic critics as further evidence that President Bush's free trade policies are not working. They vowed to oppose Bush's drive to win passage of the Central American Free

Trade Agreement covering six Latin American countries.

"Uncle Sam has been played for Uncle Sucker by incompetent trade negotiators, a failure to enforce trade agreements and by our trading partners who see the U.S. as a patsy," said Sen. Byron Dorgan, D-N.D., who is leading the effort to defeat CAFTA.

The big jump in textile and clothing imports was expected to spur pressure on the administration to erect barriers to protect domestic manufacturers from a surge in imports from China since global textile quotas expired at the beginning of this year. Imports of Chinese textiles and clothing are up a sharp 62.4 percent in the first two months of this year, compared with the same period a year ago.

The administration last week began an investigation that could lead to the re-imposition of quotas in certain categories of clothing, an action U.S. manufacturers contend is urgently needed to prevent Chinese goods from wiping out what is left of the U.S. textile and apparel industry.

For the first two months of this year, the overall trade deficit was running at an annual rate of $717.2 billion, a full $100 billion above the record imbalance of $617.1 billion set for all of 2004.

Analysts said the deficit for all of 2005 is likely to set another record of around $675 billion, driven higher by rising global oil prices.

"We are hemorrhaging red ink in our trade accounts and the red ink is just spreading wider and deeper," said Mark Zandi, chief economist at Economy.com.

While the dollar has fallen for three years against the currencies of Europe and Canada, it has not budged at all against the Chinese yuan because of China's policy of pegging its currency to the dollar. The National Association of Manufacturers said that practice has undervalued the yuan by as much as 40 percent, giving the country a huge competitive advantage over American companies.

As the trade deficit soars, the level of frustration in Congress is also rising. Last week, the Senate signaled support for imposing a 27.5 percent across-the-board tariff on Chinese goods unless China allows its currency to rise in value against the dollar.

Trade deficits at the current levels have raised worries among economists about America's ability to continue to attract the foreign financing needed to cover the shortfall between exports and imports. If foreigners decided to hold fewer dollar-denominated investments such as stocks and bonds, it could trigger steep declines in U.S. stock prices and a sharp increase in interest rates.

The Bush administration says the deficit primarily reflects the fact that the U.S. economy has been growing at a much faster pace than the economies of its major trading partners, pushing up imports while dampening demand for U.S. exports.

Aides said Treasury Secretary John Snow will use Saturday's meeting of finance officials from the Group of Seven major industrial countries to urge Europe and Japan to pursue more growth-oriented policies.

World Bank: U.S. Deficits May Hurt Others

April 06, 2005 09:10 AM ET · By JOE McDONALD

Continued high U.S. budget and trade deficits could sharply cut economic growth in developing countries by driving up interest rates and weakening the dollar, the World Bank said Wednesday.

Even without the impact of U.S. deficits, average economic growth in China, Russia, India and other developing economies is expected to decline from a three-decade high of 6.6 percent in 2004 to 5.2 percent next year, the bank said in a report on the global economic outlook.

But it said that fall could be sharper if financial markets respond to continued heavy U.S. borrowing by pushing up interest rates. If rates rise, "and we think that that's what ultimately will happen if there's no (U.S.) policy adjustment, then all developing countries will suffer," said Hans Timmer, a bank economist.

Latin America is especially vulnerable, Timmer said. He said that according to a projection by the bank's economists, if interest rates rise by 2 percent, the 4 percent growth forecast for the region next year "would completely disappear." A weaker dollar due to rising debt "will hurt trade volumes," Timmer said.

The U.S. deficit in trade and investment income with the rest of the world hit an all-time high of $665.9 billion last year, while the budget deficit soared to a record $412 billion.

"The advice that we would give to the U.S. authorities ... is that it's important to move" on deficit reduction, said Uri Dadush, director of the bank's Development Prospects Group.

The report forecasts an average economic growth rate of 5.7 percent this year for developing countries, down from 6.6 percent in 2004. It says that rate should fall to 5.2 percent in 2006.

Dadush said such a decline was healthy, reflecting more sustainable growth after surging economic expansions around the world drove up prices of energy and raw materials.

The report painted a positive picture of developing economies, saying many have lowered trade barriers and pursued prudent spending, holding foreign debt levels steady. It said their total foreign reserves rose by 30 percent last year to $1.6 trillion.

"The encouraging economic performance in developing countries in 2004 coincides with sound policies," it said.

Foreign investment in developing economies rose by nearly $14 billion last year to $165.5 billion, the report said. It said that in Asia, investment rebounded to levels reached before the region's 1997 financial crisis.

Developing economies grew faster than richer countries such as the United States last year by reducing reliance on exports and increasing domestic consumption, the report said. It noted that companies in India, China and Brazil are becoming multinational and investing abroad.

The survey was released simultaneously at news conferences in Beijing and Paris. It the first such World Bank release ceremony in China.

"This clearly signifies the growing role that China plays in the global economy," said Bert Hofman, an economist for the bank's Beijing office.

3. Many economists claimed that the U.S. trade deficit was mainly caused by the U. S. government budget deficit. The World Bank adds that the huge U.S. trade deficit will hurt the rest of world economy. However, the Bush administration does not agree with them and claims that trade deficit is driven by domestic strong economical growth. Please makes a thorough analysis whether the U.S. government budget deficit will cause her own trade deficit and slowdown of other countries' economical growth or not.