# INTRODUCTION

Over the past decade, many media articles have discussed the topics of "outsourcing" and "emerging markets," voicing concerns about U.S. deficits and debt and the impact on the U.S. dollar. Gold prices have increased, commodity prices have soared, and there has been an explosion of *exchange traded funds (ETFs),* many that allow individual investors to "invest" in foreign currencies. As recently as mid-September 2010, the Japanese yen, for example, reached a 15-year high in value against the U.S. dollar.

## Emerging Markets

*Emerging markets (EMs)* are countries where the cost of labor (both direct and indirect) is very low compared to those costs in other countries. Companies in wealthier nations have therefore identified opportunities to reduce their costs by outsourcing (transferring) many lower-skilled production activities to these emerging markets. A list of EMs as compiled by *The Economist* magazine is provided below:

| | | | | | |
|---|---|---|---|---|---|
| 1 | Argentina | 10 | Indonesia | 19 | Poland |
| 2 | Brazil | 11 | Israel | 20 | Russia |
| 3 | Chile | 12 | Malaysia | 21 | South Africa |
| 4 | China | 13 | Mexico | 22 | South Korea |
| 5 | Columbia | 14 | Morocco | 23 | Taiwan |
| 6 | Czech Republic | 15 | Pakistan | 24 | Thailand |
| 7 | Egypt | 16 | Peru | 25 | Turkey |
| 8 | Hungary | 17 | Philippines | 26 | Tunisia |
| 9 | India | 18 | Russia | 27 | Vietnam |

One component of outsourcing is known as *business process outsourcing,* or *BPO.* This type of outsourcing to emerging markets was a prominent issue during the 2008 U.S. presidential campaign. During this period, the United States and other world economies (including emerging market economies) appeared to be entering a contraction period.

Outsourcing isn't a new idea, but the 1990s and early 2000s saw dramatic increases in the outsourcing of manufacturing jobs to emerging markets, particularly India, China, and Mexico. During this period, *big emerging markets (BEMs)* and economies were defined as Brazil, China, Egypt, India, Mexico, Poland, Russia, South Africa, South Korea, and Turkey.

## Exchange-Traded Funds (ETFs)

An *exchange-traded fund (ETF)* is an investment fund that holds assets such as stocks, commodities, or bonds, and is traded on stock exchanges. ETFs can be attractive investments because of their low costs and tax efficiency, and are a very popular type of exchange-traded product.

ETFs have grown in recent years. Some examples of ETFs include EWZ for Brazil, ECH for Chile, EPI for India, EWM for Malaysia, EWW for Mexico, RSX for Russia, EWS and SGT for Singapore, EZA and SZR for South Africa, EWY for South Korea, EWT for Taiwan, THD for Thailand, and TUR for Turkey.

## Your Assignment

Your final project will require you to examine any foreign currency of your choice (preferably one from an emerging market), and provide an analysis of that currency against the U.S. dollar over the 5-year period ending with 2010. To complete this assignment, examine an exchange-traded fund (ETF) for that currency, perform any additional research you need to do in order to understand the topic, and then write a 750-word paper that summarizes the results of your macroeconomic analysis.

To find an ETF fund for a country that you're interested in, go to an Internet search engine such as Google, and enter the keywords "exchange-traded fund for X," and replace the "X" with the name of the country of your choice. You can see the history of your chosen ETF, in terms of U.S. dollars, by checking or entering the ETF call letters or ticker symbol in a financial search engine such as Yahoo! Finance (the web address for this site is **http://finance.yahoo.com/**).

# GRADED PROJECT SUBMISSION INSTRUCTIONS

## Project Objective

The goal of this project is to demonstrate the knowledge that you've obtained in your Economics 1 course. To complete the project, you'll need to research a foreign currency and an ETF for an emerging market that you find interesting, perform a macroeconomic analysis of the currency, and write a paper that summarizes your analysis.

## Instructions

***Step 1:*** Select a foreign currency as described above.

***Step 2:*** Perform your research. The content of your textbook can be one of your sources. However, your paper should also include at least four independent and reliable sources. Use general Internet search engines and financial search engines to perform your research.

***Step 3:*** Perform your macroeconomic analysis on the material. Remember that you need to provide an analysis of your chosen currency against the U.S. dollar over the 5-year period ending with 2010.

***Step 4:*** Write a first draft of your paper. Your paper should be written using a word-processing program, such as Microsoft Word or a Word-compatible program. Your essay should include a separate title page, and between three and five pages on your topic. The essay should include a brief introduction, several paragraphs that cover the required information, and a conclusion. The last page after the main body of the essay should provide a list of your reference sources.

***Step 5:*** Complete your final draft. Carefully review your written essay, correct any errors, and submit your final draft to your instructor. Use the following Writing Guidelines to complete and submit your essay.

## Writing Guidelines

1. Type your submission, double-spaced, in a standard print font, size 12. Use a standard document format with 1-inch margins. (Do *not* use any fancy or cursive fonts.)
2. Read the assignment carefully, and follow the instructions.
3. Include the following information at the top of your paper:
   - Name and complete mailing address
   - Student number
   - Course title and number (Economics 1, BUS 121)
   - Graded project number (05047700)
4. Be specific. Limit your submission to the issues covered by your chosen topic.
5. Include a reference page in either APA or MLA style. On this page, list Web sites, books, journals, and all other references used in preparing the submission.
6. Proofread your work carefully. Check for correct spelling, grammar, punctuation, and capitalization.