

International institutions and regional economic integration essay



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The U. S. is characterized by the leading role not only in the world economy, but in the majority of international global economic organizations, among which the World Trade Organization (WTO) should be mentioned separately.

The trade relations between the USA and the European Union also deserve special attention due to seriously impacting the overall economic state of the U. S. and European countries. Speaking about goods and services in common, the cooperation between the USA and the EU is the world largest economic relationship ever known.

The interdependence of the two economies is illustrated by the significant number of bilateral agreements and the export/ import volumes created by such economic cooperation. According to the official statistics, ' in 2006, the EU27 exported 269 billion Euro of goods to the USA, while imports amounted to 178 billion. ' (European Union, 2007) The notable characteristics of the EU-USA economic cooperation is in growing EU trade surplus. Such close cooperation between the two large economic conglomerates creates favourable conditions for the development of international leisure industry, and as a result, increases the number of international tourists requiring good hotel conditions during their stay in the USA. Thus, bilateral economic relations between the US and the EU are the prerequisite for the high profitability and stable development of hotel industry in the U.

S. Though cultural and recreational services take the last place in the list of major export/ import products between the U. S. and the EU, there is a great potential towards the development of the tourism industry and thus, the urgent need for the improvement and expansion of the USA hotel industry.

The U. S. participation in the World Trade Organization (WTO) has resulted in the U. S.

being stated as the world most open economy. (United States Trade Representative, 2005) ' The United States has put forward the world's most ambitious proposal for removing trade-distorting barriers to trade in agriculture'. (Baker, 2003)The openness of the U. S. economy through the prism of WTO participation is judged on the basis of its being open to developing countries' imports.

This fact should be considered through the two different perspectives: on the one hand, with the country being open to foreign imports, the creation of the hotel by a Pakistani investor will not face serious political or legal/ economic obstacles; simultaneously, as the country's import exceeds its export volumes, this fact should be accounted as a potential threat to the stable economic development, and its possible impact on the hotel industry development in the U. S. International monetary systems The monetary system in the U. S. is essential to be re-considered due to its direct influence on the level of interest rates, and as a result, on the appropriateness and profitability of foreign investments in the form of hotel construction, as described in the present research.

Determining the major points of the American monetary system, it is important to realize how the money supply is controlled and who is responsible for the interest rates changes in the U. S. financial market.

(Hayford, 2001) The money supply and the level of interest rates are the two

interrelated values, directly controlled and managed by the Federal Reserve. The major aim of the U.

S. monetary policy is to stimulate economy during the recession periods through direct regulation of money supply and interest rates. The tools used in such regulation include managing bank reserves, open market operations, discount rate, and foreign currency operations. The tools and changes in the interest rates impact the overall state of the economy, changing the level of consumer demand, the cost of borrowing and the availability of bank loans. (Jensen, 2000) As a result, the level of the hotel's profitability may increase/decrease, depending on the current monetary policy and situations on the financial markets. Managing corporate debts is another instruments used by the U.

S. Fed to promote international business and attract FDI. ' Statistics in the flow of funds accounts show that bond debt at the end of the first quarter of 2004 was about 49 percent of total corporate debt outstanding, and bank loans 20 percent. The key challenge for the monetary system is to ensure that the accounts continue to capture the structure of the financial system and provide the level of detail useful for policy analyses. ' (OCO Consulting, 2007) Thus, monitoring the direction of the U.

S. monetary policy will become a meaningful sign of the most appropriate moment to start the hotel construction in the U. S. Generally speaking, the strategic goal of the Fed's actions is to create the most favourable conditions for the attraction of foreign investments; simultaneously, the Federal

Reserve aims at keeping the country at the appropriate level of economic development during economic lags and recessions.

The U. S. economic environment is very attractive to foreign investors, but calculating the exact amount of finances required to fulfil the hotel construction plan should be performed accounting the exact interest rates within the specific time period.