



Economic Security: Threats, Analysis and Conclusions

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Abstract

The national security of the state depends on the level of economic security of the country. Therefore, the concept of national security of developed countries IS paid special attention to the issue of economic security. The economic security of a country depends on its social, economic, financial, political, environmental and epidemiological situation. To assess the existing social, economic, financial, political, environmental and epidemiological situation, they use a system of indicators that represent the situation.

The Covid-19 infection detected in December 2019 in Wuhan, China, has had a negative impact on economic stability and development along with the social situation in all countries of the world. International financial institutions forecast that the growth of the world economy and the recession will decrease even more than the 2008 financial and economic crisis.

In order to prevent the negative consequences of the pandemic, Uzbekistan, like many countries around the world, has imposed socio-economic and administrative restrictions. These restrictions have a negative impact on living standards, incomes, the state budget and the economic situation. The decline in economic activity of the economic sector and the population also undermines the economic security of the country. For this reason, the authors have developed recommendations for economic security in the context of Covid-19 infection.

Keywords: *Pandemic; Economy; Society; Socio-Economic; Consequences; Crisis; National Security; Economic Stability*

Introduction

The first 20 years of the XXI century are characterized by events such as crises, epidemics and pandemics, which have caused great concern and financial damage to the world economy and society. It is the task of political scientists to discuss the objective and subjective reasons for its origin and to draw conclusions about the culprits. In the context of the article, we want to talk about the impact of similar events on economic growth and the level of economic security of the country.

No one expected or predicted that the Covid-19 infection, which appeared in the Chinese city of Wuhan, would cause extremely severe tests on humanity. Very quickly, this infection spread to almost all countries of the world and reached the level of a pandemic. As of June 20, 2020, the number of people infected with the virus is estimated at 8 million worldwide, according to the World Health Organization. More than 367,000 people have died from the virus. Due to the high rate of spread of the infection and the large number of ways of infection, all countries of the world have taken drastic measures to prevent it.

In particular, in order to combat the spread of coronavirus infection in all countries of the world, people have taken measures to delay all public events indefinitely, imposing restrictions on the movement of vehicles. International flights and trade turnover have been reduced, the activities of business entities and the issuance of interstate visas have been suspended. In fact, the International Olympic Committee has decided to move the 2020 Summer Olympics in Tokyo, Japan to the summer of 2021.

Research Questions

We all know that restrictions on the movement of people and vehicles in society and measures to delay all public events indefinitely will affect the economies and incomes of countries. As a result of measures taken by countries, a sharp decline in production and consumption in countries with large economies, disruption of global production chains and trade relations, sharp fluctuations in commodity prices in world financial markets and deteriorating conditions.

International experts are reporting in the media that the growth of the world's gross domestic product (GDP) is due to restrictions on the economy and population due to the pandemic. In particular, the international rating agency Fitch forecasts that this year's GDP growth will average 4.6%, including 8.2% in Europe, 7.8% in the UK and 5.6% in the United States [2].

Covid-19 infection has not bypassed Uzbekistan either, as the number of people infected with this infection in our country as of June 20, 2020 exceeded 6,200 people, and the number of treated people is about 4,300 people. According to the results of the analysis of the level of economic development of Uzbekistan in the context of the pandemic, the European Development Bank predicts that this year the economy of our country will grow by 1.5% [3].

Purpose of the Study

The negative impact of the pandemic on the economy of Uzbekistan, which is part of the global economy, is reflected in economic growth, declining budget and income, inflation, external debt and unemployment, as well as declining consumption. Based on the research conducted in the framework of the article, it is planned to develop recommendations on the impact of Covid-19 infection on the economic security of the country and its mitigation.

Materials and Methods

For the purpose of research, the views of local and foreign scholars, government agencies, Internet sites are used to study the topic, and methods such as systematic analysis, comparative analysis, grouping are used to develop appropriate recommendations for solving existing problems.

Literature Review

It is known that the indicators of economic development, budget and population income, inflation, public external debt, unemployment, consumption, which reflect the state of development of the state economy, are indicators of the level of economic security of the country. Gross domestic product is an important indicator of the country's economic potential and the effectiveness of socio-economic processes. Based on the analysis of previous years by the international community, this figure is 1-4 percent.

It is recognized that in the period of 2-3 years of some drastic economic reforms, its volume will be 0.5-1.5 percent. Similarly, the inflation rate is another socio-economic indicator that determines the level of security of the country. Therefore, the international experience of countries with stable economic growth rates shows that it is acceptable for the inflation rate to be 1-3%, of which 5-6% is the highest acceptable rate [4].

The analysis of changes in the growth rate of GDP of Uzbekistan shows that in our country this indicator has a stable growth rate. (Figure 1).

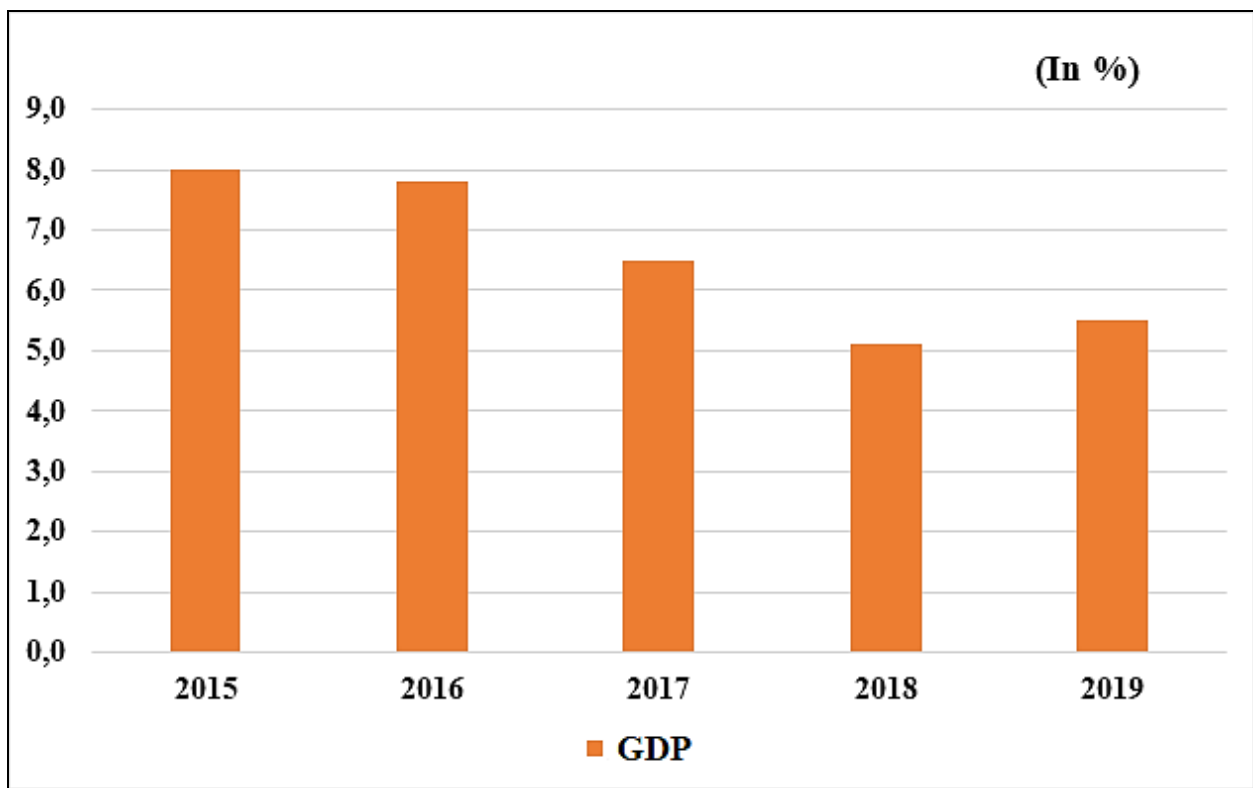


Figure 1 Dynamics of GDP growth in Uzbekistan in 2015-2019

GDP growth rates were 4 percent higher than the lowest threshold in 2015, 3.8 percent in 2016, 2.5 percent in 2017, 1.1 percent in 2018, and 1.5 percent in 2019. In connection with the pandemic, the President of the Republic of Uzbekistan has taken a number of measures to mitigate its negative impact on society and the state economy, as well as to support the activities of the population and businesses.

In particular, on March 19, 2020, a special Decree "On priority measures to mitigate the negative impact of the coronavirus pandemic and the global crisis on sectors of the economy" was adopted. The decree outlines measures to combat the spread of the coronavirus pandemic and other macroeconomic stability in times of global threats, to ensure the uninterrupted operation of economic sectors and industries, and to provide social support to the population [5].

In order to mitigate the negative impact of Covid-19 infection on the economy, to support the population and businesses in quarantine, the measures set out in the decree can be divided into the following three groups:

- *population and business entities;*
- *organizational mechanisms of support;*
- *tax mechanisms to support the population and businesses;*
- *Credit mechanisms to support businesses.*

It should be noted that the country has a wide range of organizational and economic mechanisms to prevent the negative impact of the coronavirus pandemic on economic entities. We believe that the following credit mechanisms, designed to strengthen the solvency of business entities, will serve to ensure the sustainable development of sectors of the economy:

- *government support for strategic enterprises through the allocation of interest-free budget loans for the implementation of priority expenditures;*
- *Reimbursement of part of transportation costs of business entities engaged in foreign trade activities;*
- *provide additional measures to support commercial banks in the sectors and industries most affected by the spread of coronavirus infection, as well as in the event of deterioration in the quality of the loan portfolio;*
- *Reimbursement of unpaid revenues in the budget of the Republic of Karakalpakstan, local budgets of the regions and the city of Tashkent due to the delay in payment of taxes and the slowdown of entrepreneurial activity through the allocation of interest-free budget loans for up to three years;*
- *Providing liquidity to the money market for a total of up to 1 trillion soums per month to ensure the uninterrupted and stable operation of banking and payment systems;*
- *uninterrupted provision of ATMs with sufficient cash, as well as stimulating the development of remote banking services;*
- *• Extension of the deadline for repayment of loans totaling 5 trillion soums on loans to businesses in the tourism and hotel industry and businesses facing financial difficulties due to restrictions on foreign trade operations until October 1, 2020;*
- *Allocation of revolving loans to private enterprises to replenish working capital, including to replenish the consumer market with essential goods;*
- *Measures have been identified to conduct a stress test of the loan portfolio by June 1, 2020, as well as to present the results of asset quality assessments in banks at risk of increasing problem loans.*

The analysis of the effects of Covid-19 infection on the economy of our country shows that the indicators of the level of economic security also had a negative impact on the threshold values. Scholars are of the opinion that 30-150 indicators should be set as threshold indicators determining the level of economic security of the country [6-10].

In this article, we analyze the status of some indicators related to the level of economic security and related to Covid-19 infection, such as GDP growth rate, inflation rate, budget deficit and external debt.

However, despite the measures taken, the analysis of the consequences of Covid-19 infection shows that the indicators of the level of economic security have led to a negative change in the threshold values. According to the report of the Central Bank of the Republic of Uzbekistan, GDP growth in the country decreased by 5.7% compared to the same period last year. At the end of this year, GDP growth is expected to be 1.5-2.5 percent [11]. This figure indicates that the marginal amount of economic security will be 2.5 percent lower than the minimum (4%) level.

Along with the level of GDP in our country, there is an increase in inflation. Analysis of the state of the inflation rate in 2015-2019 shows that its growth rate is higher by 14%. Especially in the last three years, it can be observed that the inflation rate is 3 times higher than the amount recommended for international recognition for the most optimal limit of economic security (Figure 2).

In the first quarter of this year, the inflation rate was 15.5%. An analysis of the dynamics of changes in the inflation rate in 2015-2019 shows that it has been growing steadily. The growing nature of this indicator is a factor that negatively affects economic security. Despite the monetary policy pursued by the central bank, the marginal amount of economic security is much higher (10.0-11.5 percent) than the threshold amount (4%), which is recognized as the highest level of the acceptable standard.

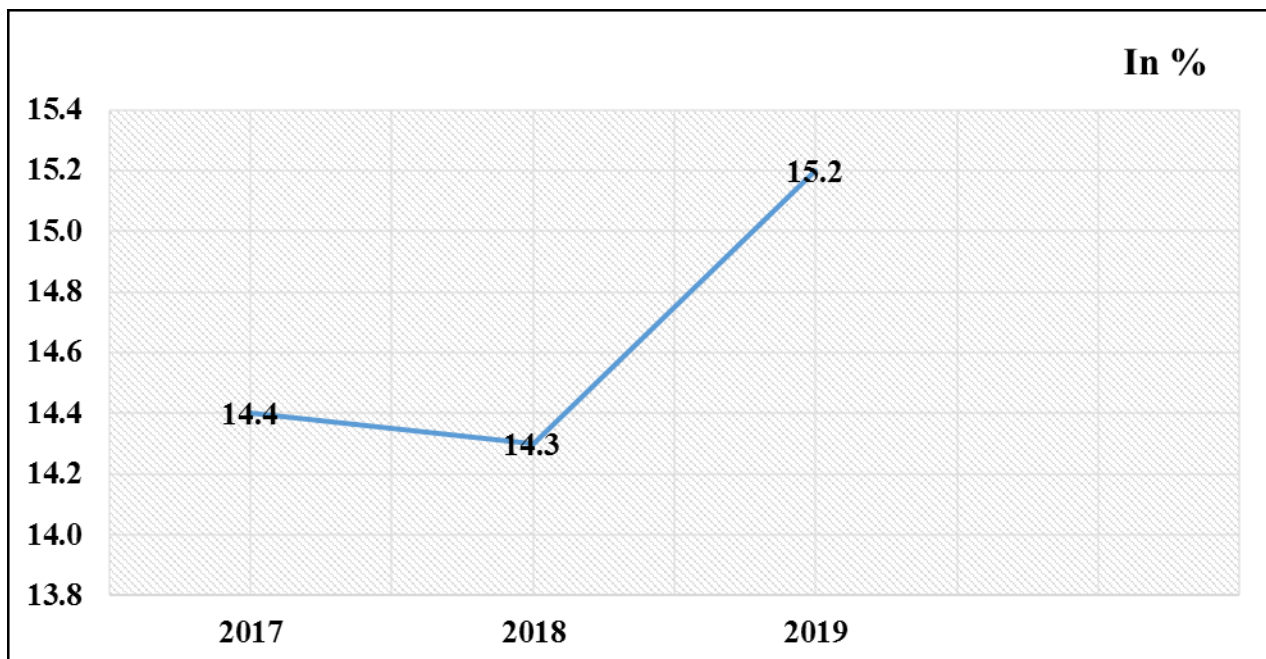


Figure 2 Dynamics of changes in the inflation rate in Uzbekistan in 2017-2019

Restrictions imposed in Uzbekistan on quarantine to prevent the effects of Covid-19 infection have led to a reduction in consumption (Figure 3).

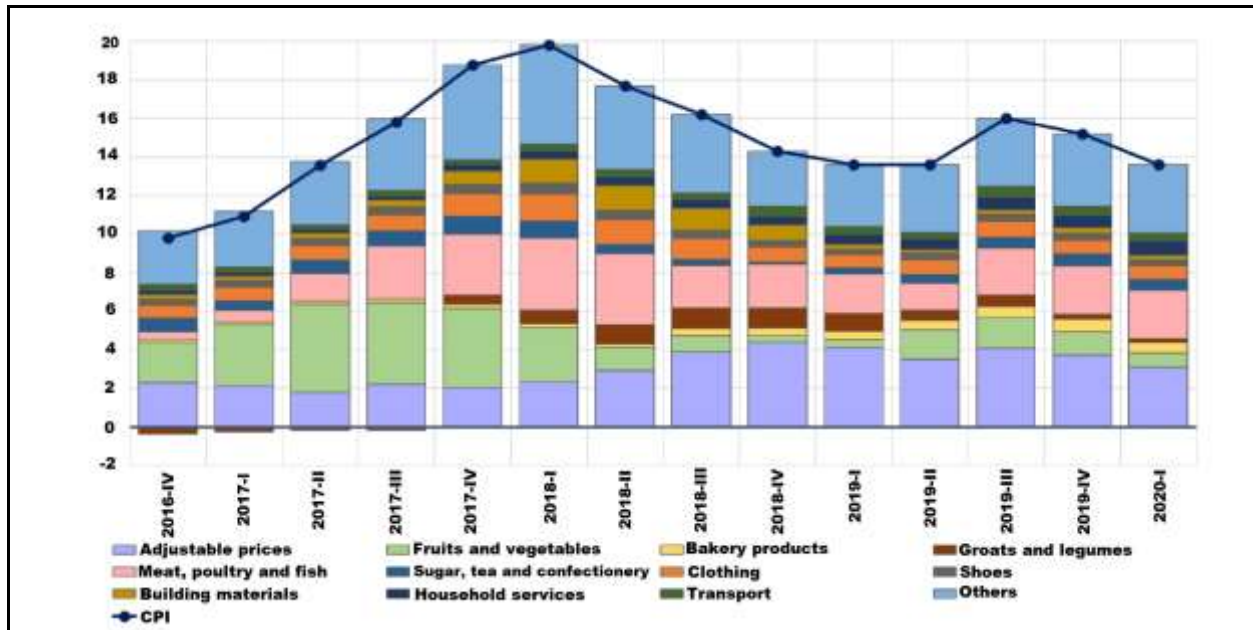


Figure 3 The structure of the consumer price index.

In the 1st quarter of this year, the average growth rate of prices for basic foodstuffs, in particular, the growth of prices for bread (30.1%), meat products (24.4%), eggs (28.2%) exceeded the average inflation rate caused the growth.

The amount of money transfers on interbank plastic cards in March last year due to a decrease in the activity of the population in the consumer market decreased by 6 percent compared to the previous month. The fact that on April 10 this year, the level of settlements at payment terminals decreased by 25.9% compared to the same period last year, and trade in commodity exchanges decreased by 28%, indicating a decrease in economic activity due to the pandemic.

The decline in consumer spending in the market compared to the previous period and the decline in economic activity also affected the movement of funds of the population on plastic cards. As a result of economic activity and reduced consumption in April this year, the population's funds on plastic cards increased by 26%.

In our opinion, the reasons for the above are, firstly, the temporary cessation of economic activity in almost all countries, secondly, the negative change in incomes due to declining population, thirdly, limited domestic and international action and fourthly, declining consumption and production, characterized by a decrease in the image.

Discussions

Covid-19 infection has a negative impact on the formation of state budget revenues in countries around the world. That is why the G-20 countries have adopted a single law to support the economy and population in the event of a pandemic. It plans to allocate an additional \$ 2 trillion to support the economy and the population. As a result of the financial measures taken, the total budget expenditures of the United States this year exceeded the budget revenues by 4 trillion rubles. dollars is expected to be more. According to researchers, such a situation has not been observed in the US budget since 1945, when the end of World War II. [12].

The UK government plans to spend £ 12bn this year on budget support to support the population and businesses in the event of a pandemic, as well as £ 18bn to finance long-term measures to support the economy. These pandemic measures are expected to increase budget expenditures by 1.3 percent of GDP.

In addition, the government plans to allocate more than £ 300 billion for the Business Interruption Loan Scheme and the Covid-19 Corporate Financing Facility. The German parliament has adopted a document amending the 2020 budget and established the Wirtschaftsstabilisierungsfonds (Wirtschaftsstabilisierungsfonds) to support national economic entities. According to the document, 122.5 billion soums will be allocated from the state budget for measures to eliminate the consequences of Covid-19 infection. Euros will be allocated.

In addition, the state budget will be reduced by 33.5 billion soums due to the reduction of tax revenues due to the negative impact of the pandemic on the economy was deprived of income in the amount of euros. The Australian government has pledged £ 213.6bn to finance pandemic spending. It plans to allocate funds from the central budget in the amount of Australian dollars (11% of GDP) and state guarantees in the amount of A \$ 320 billion (16.4% of GDP).

The Italian government has submitted a request in March this year to increase the central government's budget spending by 25 billion euros, which is planned for pandemic response measures. As a result of this measure, the budget deficit will increase by 6.3 billion euros, and the budget deficit will reach 2.5% of GDP in 2020 (an increase of 0.3%) [14].

It is known that the size of the state budget deficit of the Republic of Uzbekistan this year is estimated at 0.5% of GDP (\$ 350 million) [15]. However, as a result of measures taken to prevent the pandemic, the restriction of production and services and the emergence of temporary unemployment have reduced economic activity in our country, as well as in other countries around the world.

For example, according to the Decree of the President of the Republic of Uzbekistan dated May 18, 2020 "On the next measures to support the population and businesses during the coronavirus pandemic" small businesses, markets and shopping malls, cinemas, catering and public transport, sports health facilities, passenger transportation and household services, legal entities renting premises are exempt from property and land taxes for the period from June 1 to September 1 this year.

According to preliminary estimates, according to this law, 14,922 small businesses were exempted from property and land taxes for the period from June 1 to September 1 this year, calculated at 31.1 billion soums [16].

Therefore, experts of the International Monetary Fund predict that along with GDP, the country's budget revenues will decrease due to lower tax revenues and increased budget expenditures, and the budget deficit will be 5.6% this year and 4.7% in 2021 [17]. Such a negative change in the forecast level of the budget deficit is a factor that negatively affects the level of economic security of the country.

From the point of view of economic security of the state budget deficit, the level of the amount recognized by scientists as the lower limit is 4-5% of GDP [6,18].

The amount of the country's external debt is one of the factors to be taken into account when assessing the level of economic security. In order to financially support the ongoing economic reforms, the country is experiencing an increase in external debt due to loans from international financial institutions (Figure 2).

In determining the marginal amount of economic security, international experts recommend that the amount of external debt should not exceed 25% of GDP, the ratio of domestic and foreign debt and exports should not exceed 15%, and the allocation of domestic and foreign debt from the consolidated budget should not exceed 20% [6].

Uzbekistan's external debt has been growing since 2015 due to loans from international financial institutions to support economic reforms. The increase in external debt is also worrying foreign independent agencies and investors.

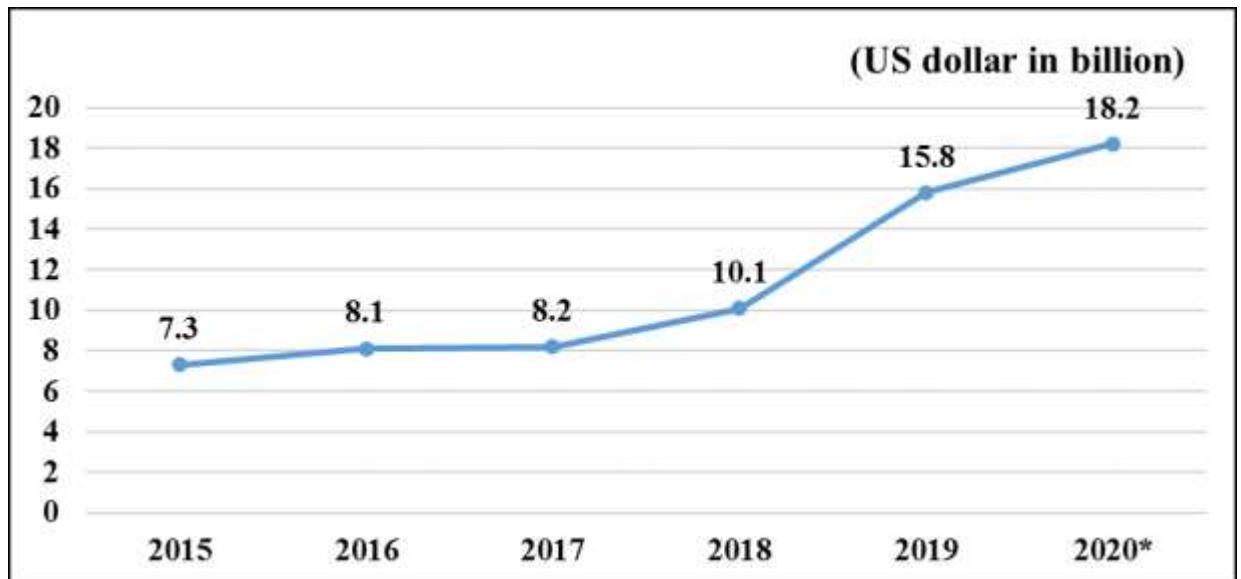


Figure 2 Dynamics of changes in the amount of public external debt of Uzbekistan in 2015-2020

On June 5, 2020, the international rating agency S&P changed its outlook on Uzbekistan's sovereign credit rating from 'stable' to 'negative'. In order to finance the budget expenditures in connection with the Covid-19 infection, this year many countries have applied for loans from international financial institutions. Public external debt is also specific to all countries, with varying amounts (Figure 3).

Analysis of Eurozone external debt to GDP in 2019 shows that its level is 177% in Greece, 135% in Italy, 135% in Portugal, 98.6% in France, 59.4% in Finland, 59.8% in Germany and the Czech Republic (30.8) and Luxembourg. (22.01) indicates that it consists of a minimum quantity. The U.S. debt is equivalent to 107 percent of GDP, with Japan and China being America's main creditors. Unlike Germany, France, and the United Kingdom, the United States does not set a limit on the absolute amount of public debt [21].

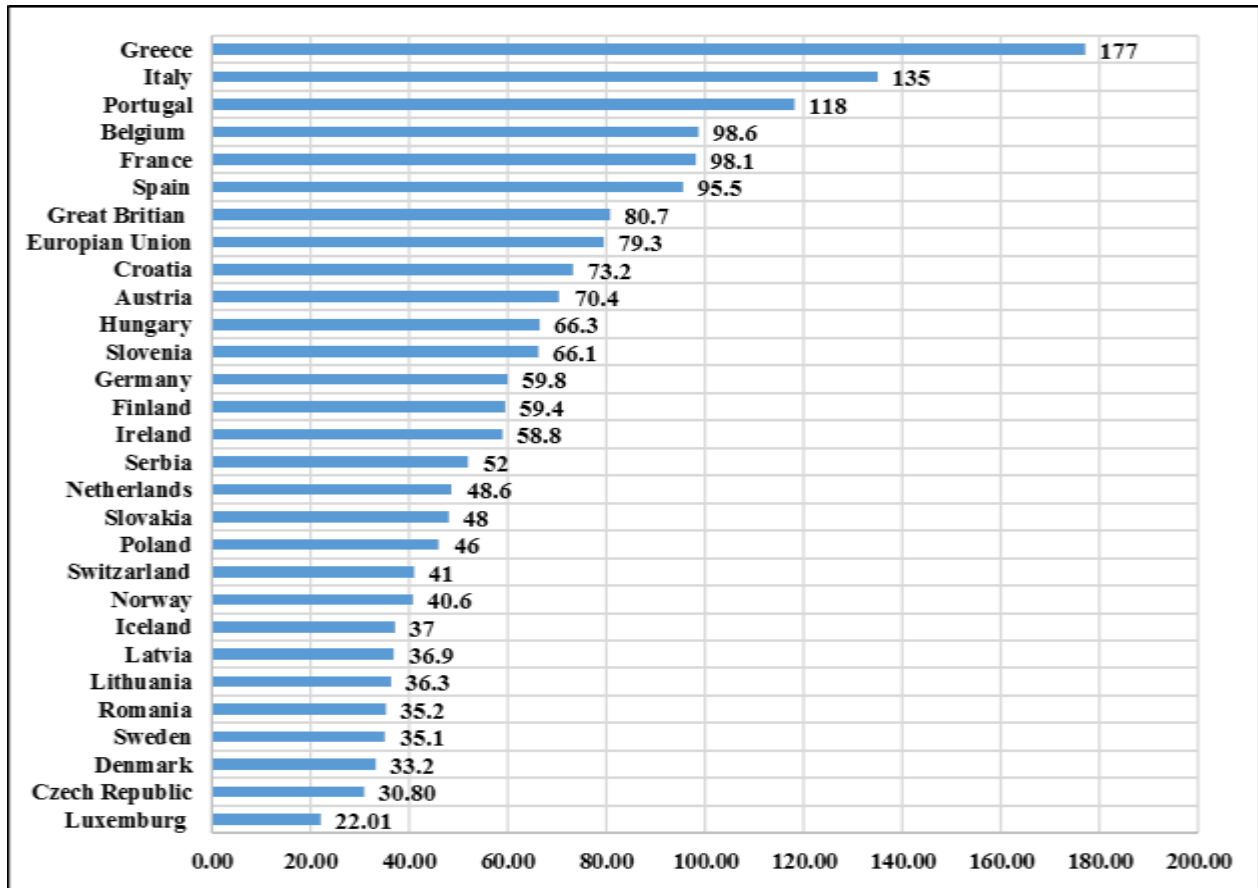


Figure 3. The share of eurozone countries' public external debt in 2019 in GDP.

Japan's external debt is 46 percent of GDP, or \$ 105,000 per capita. Unlike other countries, Japan has enough money to pay off 10 percent of its existing debt to cover its public debt, making it the world leader in this field. The fact that the bulk of Japan's debt falls on the private sector is also a feature of their debt structure. But now Japan spends 4/1 of its budget revenues on debt repayment. Therefore, in recent years, Japan also needs foreign debt. To improve the situation and increase the efficiency of debt management, the Ministry of Finance of Japan is taking measures to stabilize the formation of public revenues and reduce the financing of medium and long-term expenditures.

Analysis of the results of the research shows that the main issue in reducing the negative impact of public debt on the economy is to ensure the effectiveness of debt management. The result of the organization of proper management of public debt, along with the effective use of state budget funds, also serves to prevent the negative impact of public external debt on the economy. In the world practice, the most widely used mechanisms in the management of external public debt are conversion, discounted public debt acquisition and debt restructuring [19].

There are both pros and cons to public debt growth. However, the negative side of the increase in public external debt will lead to a decrease in budget allocations for investment in the economy, political independence of the country and an increase in public spending due to interest paid on debt.

Therefore, most countries also use domestic debt management methods. The experience of developed countries proves that the outcome of measures to support local investors depends on

convincing them that public debt will not increase, that it will not exceed the threshold and that the level of debt will not exceed the amounts recommended by international institutions. The main criterion for the application of the principle of quantitative easing for developing countries is the recognition of the growth rate of public debt.

This is one of the factors influencing the change in investment proposals in the domestic market. That is why almost all countries of the world try to attract optimal debt. It is dangerous for the economies of countries pursuing high-emission policies to try to attract investors by borrowing in foreign currency from international investors. Therefore, in order to ensure the economic security of the country, developing countries will try not to exceed the maximum amount of the threshold for borrowing in foreign currency above the level recommended by international experts.

According to the recommendations of the International Monetary Fund, the marginal amount of public external debt is recognized as 30-50% of GDP [22].

Conclusions

Our analysis shows that along with the public debt, the total external debt of our country is also growing (Figure 4). The share of external debt of the Republic of Uzbekistan in GDP in 2018 amounted to 23.6%, while in 2019 the figure was 28.7%. According to the results of this year, the calculations of national and foreign experts show that the level of consumption in the country will decrease by 1.4%, the amount of savings in fixed assets will fall from 34% in 2019 to 6.4%. Uzbekistan, like many other countries, is planning to finance budget expenditures this year due to the Covid-19 infection appealed to international financial institutions for loans.

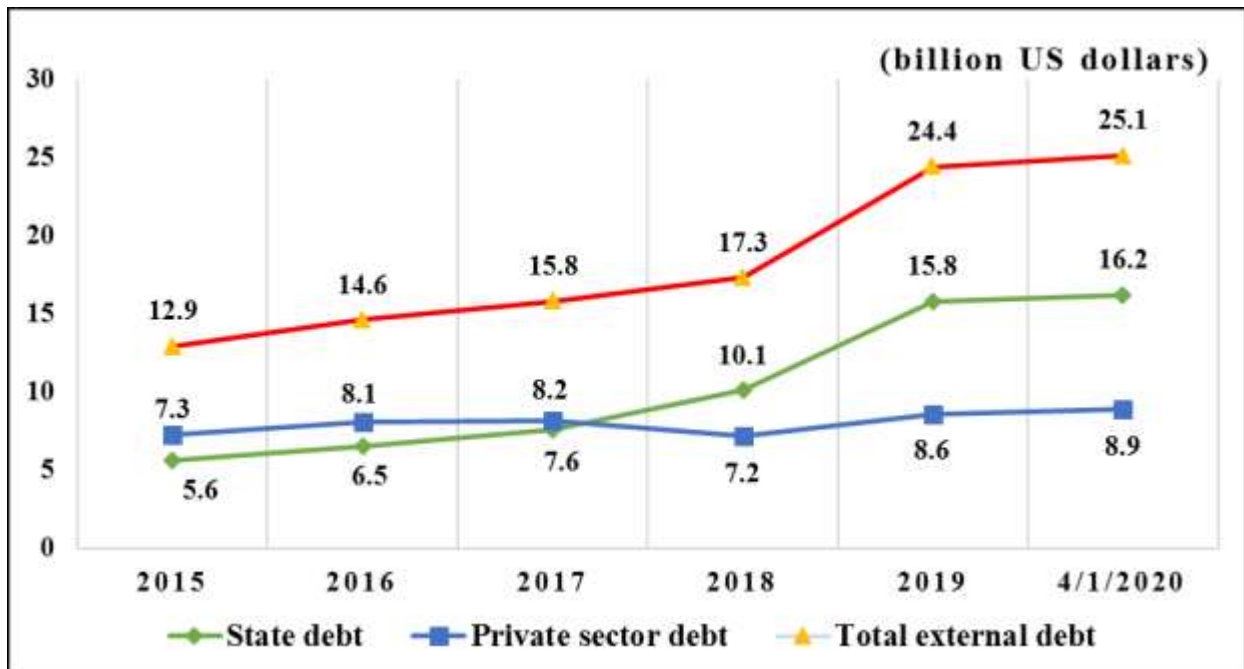


Figure 4 Dynamics of changes in the amount of public external debt of Uzbekistan

It is known that the guarantee of the state's external debt is the country's gold and foreign exchange reserves. According to the Central Bank of the Republic of Uzbekistan, the country's gold and foreign exchange reserves as of June 1, 2020 amounted to \$ 31.3 billion (58.1% of GDP) and as of April

In this year, gross external debt amounted to \$ 25.1 billion (46.6% of GDP) [23]. These figures show that the public external debt will be below the maximum level recommended by the International Monetary Fund for economic security. But the amount of gold and foreign exchange reserves of the country does not only serve as a guarantee for public external debt. In addition, the country's gold and foreign exchange reserves are used to ensure the value of the national currency, international macroeconomic settlements, to cover the import deficit, to eliminate urgent payments in foreign currency and to cover the balance of payments deficit.

Therefore, in our opinion, only the planning to direct the country's gold and foreign exchange reserves to full debt repayment in determining the threshold amounts of public external debt can have a negative impact on economic growth. The results of the study show that in order to prevent the negative impact of Covid-19 infection on the economic security of the country, it is necessary to develop and approve the concept of economic security of the Republic of Uzbekistan until 2030 [20]. The concept should take into account the following key issues necessary for the targeted attraction of external debt and ensuring the economic security of the country, ensuring its effectiveness:

- 1 *approval of the main priorities of economic security;*
- 2 *determination of the competent authority responsible for ensuring economic security and its functions;*
- 3 *approval of threshold indicators determining the level of economic security risk;*
- 4 *Establishment of a system of indicators of marginal quantities that determine the level of risk to economic security;*
- 5 *Termination of the institution of state guarantees for private and public-private partnerships and strategic enterprises for external debt; ташиқи қарз жалб этишини иқтисодиёт ўсишини таъминловчи соғаларга инвестиция учун жалб этиши;*
 - *take measures to ensure that the amount of public external debt does not exceed 40% of GDP;*
 - *Expanding the application of the practice of foreign domestic borrowing (Japan), which has been tested with positive results in the experience of developed countries;*
 - *Improving the effectiveness of external debt management mechanisms;*
 - *full disclosure of information on the structure of external debt;*
 - *Development of a methodology for determining the threshold indicators that determine the level of risk to economic security.*

In our opinion, it is necessary to pay special attention to these issues in the development of the concept of national security. Because, as Hazrat Amur Temur said, economic security is a key factor in ensuring national security.

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