

**DIGITIZING THE ECONOMY ATTRACTING INVESTMENTS
IMPROVEMENT OF ROADS**

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Abstract

The article examines the processes related to attracting foreign investments to the national economy and improving the ways of their effective use. The digital economy is considered as an effective measure to mitigate the negative economic impact of the (COVID-19) epidemic. However, few studies evaluated the role of digital economy on the economic growth of countries along the “Belt and Road” and the impact of COVID-19 on their digital industries.

Keywords: investments, capital, foreign investments, COVID-19, digital economy.

Digital technologies, typically represented by the Internet, big data, 5G, artificial intelligence, accelerate the deep integration with industries, bringing the world into the era of digital economy. Since the “Belt and Road” initiative was proposed, the digital economy has also gradually become a crucial cooperation area for the countries . During the 4th World Internet Conference in 2017, the “Belt and Road” Digital Economy International Cooperation Initiative was launched, which aimed to build an interconnected “digital silk road” and to create a “community of interests and destiny”. The digital economy can further optimize the industrial structure and increase jobs through information and communications technologies (ICT), Internet and other intelligent means, greatly improving the economic development in countries along the “Belt and Road.” In particular, the digital economy has played an active role in mitigating economic losses and promoting economic recovery during the fight against Corona Virus Disease 2019 (COVID-19). Specifically, COVID-19 brought serious shocks to the world economy by directly affecting production, disrupting the supply chain and having an adverse impact on firms and financial markets. Additionally, the stringency measures implemented by policymakers to minimize social mobility also decrease macroeconomic activity . On the contrast, the digital economy, with its advantages of high technology and integration with other industries, has become a new opportunity for digital transformation of industries. Compared with the real economy, digital technologies, industries and services play an

important role as stabilizers, lubricants and boosters . Thus, they are considered as important measures to combat the crisis and engines to drive economic growth. However, the digital economy development in countries along the “Belt and Road” still varies greatly, resulting in their inequitable access to digital development opportunities. Therefore, with the trend of digital transformation in the post-COVID-19 era, it is necessary to assess the digital economy development in countries along the “Belt and Road,” reveal its impact mechanism on economic growth and clarify the impact of COVID-19 on digital economy-related industries. This can provide a policy reference for further strengthening the digital economy cooperation of countries along the “Belt and Road” in the post-COVID-19 era and narrowing the “digital divide” with developed countries.

Considering that the global economic governance is entering the post-COVID-19 era along with the digital transformation, this paper attempts to study the mechanism of the impact of digital economy on economic development and explores the development strategies in the post-COVID-19 era. With the rise of emerging technologies such as big data, cloud computing, and the Internet of Things, ICT is gradually considered as the “engine” for economic development. However, from the existing studies, there is no consistent conclusion about the impact of the digital economy on the national economy. Some scholars argued that the development of the digital economy could improve the efficiency of factors such as capital and labor, thus contributing to economic growth. In addition, the digital economy, as an emerging development model, represents a change in the way of economic growth, which will have a positive impact on the employment and industrial structure, thus affecting the economic development. However, other scholars argued that the cost of ICT development and use is expensive due to the lack of infrastructure, especially for less developed countries. Therefore, there is a wide divergence of conclusions related to the digital economy on economic development, and research on the impact mechanism of the digital economy on economic development is very limited. After the outbreak of COVID-19, the role of the digital economy on economic recovery has further attracted the attention of scholars. It has been documented that COVID-19 prompted a rapid shift of consumer demand online, creating opportunities for emerging digital industries. These online services can reduce the movement of people, reduce the risk of epidemic transmission, and also contribute to stable economic growth. However, current research is still dominated by qualitative analysis, and quantitative assessment of the impact of COVID-19 on the digital economy is less available.

In recent years, the digital economy has become a new economic form after the agricultural and industrial economies. The concept of the digital economy was first proposed by Tapscott, who indicated that the age of networked intelligence is not only about the networking of technology, but about the networking of humans through technology. The integration of digital and network technologies has made the digital economy prominent in economic and social activities; thus its connotation has become richer. Mesenbourg defined the digital economy in terms of three components: e-business infrastructure, e-business and e-commerce. Other scholars considered the digital economy as a dynamic process instead of static efficiency. In recent years, the digital economy was defined as a wider than modest digitizing segment, and its general meanings integrate all the digitally-oriented economic activities. For instance, the Organization for Economic Co-operation and Development (OECD) described the concept of the digital economy as “the digital transformation of economic and social development” and considered all traditional industries in the process of digitization and networking as part of the digital economy. The G20 Digital Economy Development and Cooperation Initiative further defined the digital economy as “a broad range of economic activities that include using digitized information and knowledge as the key factor of production, modern information networks as an important activity space, and the effective use of ICT as an important driver of productivity growth and economic structural optimization”. Therefore, the ambiguous definition of digital economy leads to its inconsistent measurement index system.

Previous studies have shown that the digital economy is considered the main driver of economic growth in both developed and developing countries. The digital economy mainly based on ICT helps to increase capital and labor productivity and to obtain goods and services at lower prices. For example, Seo et al. developed a cumulative growth model to examine the positive relationship between ICT investment and economic growth in 29 countries and found that countries with relatively low levels of productivity could take advantage of the knowledge spillover effects of ICT to close the gap with developed countries. Vu also found that ICT can increase the output by facilitating technology innovation, improving the quality of decision-making, and reducing production costs. With the rapid development of digital technologies such as ICT, more and more scholars have focused on the role of the digital economy on consumer surplus, e-commerce supply chain, and smart cities (30). Especially after the outbreak of COVID-19, the role of the digital economy on economic recovery has attracted

the attention of scholars. Some scholars suggested that the digital economy played a hugely positive role in pandemic prevention and control, value-added distribution in global value chains, and economic development. During the COVID-19 pandemic, digital services received a large portion of the resources reallocated from traditional industries, which became a strong driver for accelerated growth. In addition, Jiang found that digital technologies not only empowered pandemic response strategies in the short term but also served as the technological foundation for Internet-based industry and consumption in the long term. However, other scholars have suggested that the digital economy may be detrimental to economic growth, especially in the absence of economic transition. Although COVID-19 served as an accelerator in advancing the adoption of various technologies, this process had been contested and the outcomes remained uncertain. Considering that the global economic governance is entering the post-COVID-19 era along with the digital transformation, this paper attempts to study the mechanism of the impact of digital economy on economic development and explores the development strategies in the post-COVID-19 era. With the rise of emerging technologies such as big data, cloud computing, and the Internet of Things, ICT is gradually considered as the “engine” for economic development. However, from the existing studies, there is no consistent conclusion about the impact of the digital economy on the national economy. Some scholars argued that the development of the digital economy could improve the efficiency of factors such as capital and labor, thus contributing to economic growth. In addition, the digital economy, as an emerging development model, represents a change in the way of economic growth, which will have a positive impact on the employment and industrial structure, thus affecting the economic development. However, other scholars argued that the cost of ICT development and use is expensive due to the lack of infrastructure, especially for less developed countries. Therefore, there is a wide divergence of conclusions related to the digital economy on economic development, and research on the impact mechanism of the digital economy on economic development is very limited. After the outbreak of COVID-19, the role of the digital economy on economic recovery has further attracted the attention of scholars. It has been documented that COVID-19 prompted a rapid shift of consumer demand online, creating opportunities for emerging digital industries. These online services can reduce the movement of people, reduce the risk of epidemic transmission, and also contribute to stable economic growth. However, current research is still

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