

# Opportunities For Trade Development In A Pandemic

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**Abstract:** *The article reflects the state of the world economy as a result of the impact on it of the new coronavirus infection (COVID-19). The aim of the work is to identify the prospects for the development of foreign trade in Uzbekistan in the context of a pandemic. A retrospective analysis of the growth rates of the world economy before the pandemic and during the period of its active spread was carried out. The key principles of foreign trade are presented, aimed at the effective modernization of the national economy of Uzbekistan in the context of the recovery of the world economy. It was found that the degree of impact on export trade mainly depended on the duration and extent of the epidemic. An assessment of the threats affecting the foreign economic activity of Uzbekistan in connection with the lifting of restrictive measures is given.*

**Keywords**— exports and imports, pandemic, restrictive measures, WTO, foreign trade, global supply chain.

## 1. INTRODUCTION

Due to the ongoing changes associated with the spread of the new coronavirus infection, there is a slowdown in the pace of economic development around the world. In turn, this led to a decrease in the pace of trade between countries, including Uzbekistan.

The World Bank has released a report that says the decline in world trade is one of the causes of the global economic downturn. According to the World Trade Organization (WTO), many indicators closely related to the state and trends of world trade began to decline in 2019. The WTO published merchandise trade index has been below 100 for four consecutive quarters, below the trend level, and some sub-indices were close to their lowest level since the 2008 financial crisis. This indicates a sharp slowdown in global trade growth even before the pandemic spread.

The COVID-19 pandemic is causing tremendous tension around the world, affecting the lives of everyone. Unprecedented measures taken to reduce infection rates include forced quarantines, curfews and bans on leaving the home, restrictions on movement, and economic and community life. While on the face of it, such coercive measures and the increased presence of law enforcement agencies at borders and on the streets deter crime, they can also drive it further underground. In a human trafficking situation, criminals are adapting their business models to the “new normal” created by the pandemic, especially as a result of the abuse of modern communication technologies. At the same time, COVID-19 affects the ability of government agencies and non-governmental organizations to provide basic services to victims of this crime. Most importantly, the pandemic has exacerbated and highlighted the systemic and deep-seated economic and social inequalities that are one of the root causes of human trafficking.

## 2. MAIN PART

The coronavirus Covid-19 pandemic is testing social and economic sectors. At the same time, the economic crisis, which came under the term "Great Closure" during the pandemic, broke the "value chains" in international economic relations and had a serious negative impact on the service sector, triggering a recession in the world economy.

This is due to the following factors:

- the demand crisis - a decline in the consumption of goods (mainly long-term consumer goods) and services as a result of the quarantine of 80% of the world's population;

- GDP growth slowed by 5-10% as a result of aggregate demand in large economies. Goldman Sachs forecasts that the U.S. GDP will fall by -6% and China's GDP by -9% in 2020;

- economic problems in large economies have been followed by economic problems in developing countries. These problems are mainly due to the fact that the decline in commodity prices on world markets since February 2020, in particular the fall in oil prices from the last 18-year low, has a significant negative impact on commodity export-based economies (The Economist 2020a; CNN 2020);

- pandemic restrictions have led to an increase in public health expenditures in almost all countries.

According to preliminary data, the GDP of the Republic of Uzbekistan in the 1st quarter of this year grew by 4.1% (5.3% in the same period last year). Foreign trade turnover decreased by 10.2%. However, the impact of quarantine measures on these indicators was minimal. Because the coronavirus was detected two weeks before the end of the first quarter, quarantine measures were gradually introduced across the country from March 16 to April 6.

If foreign trade turnover has been negatively affected by the epidemic in China and Europe since the beginning of the year, then the closure of all trade facilities (except grocery stores and markets), public catering and services, the country strict restrictions on domestic transport and the cessation of

road, air and rail links with other countries led to a decline in domestic demand.

On April 14, the Central Bank of the Republic of Uzbekistan reduced the refinancing rate from 16% to 15% to support domestic demand. This is the first reduction in the refinancing rate in five years.

The slowdown in GDP growth in the first quarter also showed that over the past three years, the Uzbek economy has become more actively integrated into the world economy.

The rapid growth of the service sector in recent years has also led to an increase in its share in GDP. According to the report of the State Statistics Committee of the Republic of Uzbekistan, in 2019, services accounted for 35.5% of GDP, industry - 30%, agriculture - 28.1%, construction - 6%. This means that the difficult situation in the service sector will have a significant impact on economic growth.

The active spread of the pandemic significantly affected the foreign trade of Uzbekistan. According to most scientists, the epidemic has negatively impacted export trade in the short term.

In terms of the structure of exports, the main export products of Uzbekistan are currently industrial products. As the epidemic spread sharply in all corners of the country, the resumption of work in various industrial enterprises was postponed. Ancillary industries such as transportation, logistics and storage have been significantly limited. These factors reduced the production efficiency of export enterprises and increased operating costs.

While some of the short-term impacts of the COVID-19 pandemic on international trade are serious, they don't seem unmanageable. From this point of view, one would expect that once the pandemic disappeared (or at least was brought under control), international trade would return to normal. However, in other time frames, the potential impact of the pandemic may be more severe than originally anticipated, leading to structural changes in the process of economic globalization. While the seeds for such a process were sown some time ago, the COVID-19 pandemic could exacerbate existing trends for states to turn inward and compete more openly for economic and political dominance in the world. Whether this actually happens will largely depend on the duration and severity of the current pandemic. The greater its influence, the more likely it is to see a paradigm shift in international trade relations and governance.

The large-scale recovery of logistics operations has had a positive impact on the production chain as well. In terms of the global supply chain, Uzbekistan continues to play an irreplaceable role. Uzbekistan is in the middle of the global industry chain and occupies a key position at the top and middle of the global production sharing system. It is worth noting that the short-term impact of the epidemic may increase production capacity in some areas. Uzbekistan's position in the global supply chain should not change, and

Uzbekistan's competitive advantage in foreign trade will remain the same.

In terms of the structure of imports, Uzbekistan imports mainly agricultural products, as well as mineral products. Among them, the most important products are raw materials, parts, semi-finished products and fossil fuels required for production. As for the first, it is due to the fact that at present Uzbekistan's position in the global production chain is relatively stable as a large manufacturing country. If the export market shrinks, the domestic demand for raw materials, parts and semi-finished products will undoubtedly decline. However, as the outbreak is controlled and industrial production is restored to Uzbekistan, imports of such products will increase accordingly.

Indeed, no matter what sector we look at in the world, the global crisis is having a devastating effect on job losses. Most politicians need to take immediate action to revive the economy in the post-pandemic period, especially serious research to protect large sectors of the economy, vital sectors, and businesses where the majority of the population is employed. being carried out.

Theoretically, the role of economic policy, in the absence of externalities such as external, borrowing and insurance shortages, the major detrimental effects of Covid-19 will only lead to a short-term V-type recession. At the same time, GDP will decline as jobs and production decline. Their economic activity to comply with measures to limit the spread of the disease, but then without unemployment or business closure, everything will return to normal with the end of the storage policy. The economy may be doing better for a while. Because the demand for durable goods and services has been met.

In practice, however, Covid-19 could lead to prolonged deep recession and sharp economic volatility. The goal of macroeconomic policy is to try to replicate this short-term V-shaped recession, to ease external demands and financial constraints, and to use monetary and fiscal instruments to help reduce the impact of adverse shocks.

Recent empirical research shows that private consumption is stimulated by public spending, and this argument contradicts existing macroeconomic theory. According to him, the increase in government spending (based on taxes) should reduce consumption. Recent empirical studies based on vector auto regression (VAR) show that an increase in government spending leads to a significant and steady increase in private consumption, which in turn leads to economic growth.

If the government finances spending with loans, private consumption could increase. But in the future, the government will have to repay foreign debt and / or raise taxes, so this positive correlation cannot be maintained in the long run.

It is also more efficient to distribute funds through the private sector than through government agencies. This can be seen in large-scale studies in Central and Eastern Europe.

In particular, it was found that there is a positive correlation between gross consumption and gross domestic product in Romania. At the same time, the link between private consumption and GDP has been strong, while the link between public consumption and GDP has been weak.

In a study developed for 11 countries in Central and Eastern Europe, Gozgor (2013) showed that fiscal and fiscal policies in Croatia and Slovenia only affect private consumption in the long run, while in 9 other countries the power was temporary.

Many observers now see that the best type of incentive is for the strata of households that are particularly likely to spend money, i.e., low-income and self-sufficient people who have lost their jobs or incomes. They believe that it is for the self-employed.

As of April 10, 2020, a total of 74 labor market support programs have been developed by 51 countries.

According to an anonymous survey of 312.4 thousand people on social networks in Uzbekistan, 21% of citizens have temporarily lost their jobs, 7% are on vacation at their own expense, and 7% are on paid work. In English, 18% reported working remotely at home and 21% working in the office.

Due to the current quarantine regime in the country, revenues from property and land taxes of individuals decreased by 3 times, and revenues from the fixed tax on NGOs decreased by 84%.

In small businesses, many workers have lost their source of income and lost their jobs. This situation poses a serious threat to the solvency of businesses and the population in a number of sectors of the economy. The informal sector, in particular, is the most vulnerable and vulnerable.

### 3. CONCLUSION

In summary, the experience of Uzbekistan in the field of social and medical protection during the coronavirus pandemic is primarily due to the fact that the highest priority is given to public health and all opportunities are fully mobilized. achieved.

At the same time, many modern and effective mechanisms have been developed to ensure the activities of the economy and all sectors, banks, manufacturers and businesses. Social and financial support measures have been systematized. The introduction of large-scale support measures for all segments of the economically active population will ensure the stability of all sectors of our national economy in the post-pandemic period, as well as increase competitiveness through benefits, incentives and initiatives.

The side effects of the current epidemic for other countries are expected to continue to be relatively small and short-lived, mainly due to temporary supply chain interruptions in international trade. In the medium to long term, the global supply chain, production and value chains will become more resilient. As an important intermediate and key link in the global supply chain, Uzbekistan will gradually resume its manufacturing activities and foreign trade, taking control of the epidemic.

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