

**DIGITAL ECONOMY IS ECONOMY OF FUTURE**

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**Annotation.** The rapid expansion of digitization affects all aspects of life, including the way people interact, work, shop and receive services, and create and exchange value. This has revealed the increasing importance of information and data flows in the global economy, including across borders. Data has become a key economic resource from which value can be created and captured, and it can influence development prospects in a number of ways. This article is about the introduction and development stages of the digital economy.

**Key words.** Digital economy, information and communication technologies, digital markets, Internet platforms, infrastructure, digital ecosystem.

The digital economy is used to represent two different concepts. First, the digital economy is considered a modern stage of development, characterized by the priority of creative work and information benefits. Secondly, the digital economy is a unique concept, the object of its study is the information society. In the conditions of today's rapidly developing global economy, the digital economy is in the initial period of its development, and the transition to the digital information stage of our time is only a few decades.

In general, the digital economy is a digital economy that allows to significantly increase the efficiency of storage, sale and delivery of various productions, technologies, equipment, goods and services based on the use of process analysis results and processing of large volumes of data. The information in the form is an activity that is considered the main factor of production.

In the further perspective of modern development, technologies for working with large-scale data (Big Data), artificial intelligence, neurotechnologies, quantum technologies, the Internet of Things, robotics and sensors, digital electronic platforms, cloud and mobile technologies, virtual and augmented reality technologies, digital technologies such as crowdsourcing, blockchain technologies, cryptocurrencies and ICOs, 3D-technologies are becoming crucial.

The digital economy is a worldwide network of economic activities, commercial transactions, and professional interactions supported by information and communication

technologies (ICTs). This can be briefly described as the digital economy. In its early days, the digital economy was sometimes referred to as the internet economy, the new economy, or the web economy because of its dependence on internet connectivity.

However, economists and business leaders say the digital economy is more advanced and complex than the Internet economy, which by definition refers to the economic value derived from the Internet. In the international sense, the digital economy is a networked, systematically organized spatial structure of relations between economic entities. It includes the creation and use of new information, technologies and products, telecommunication services, e-business, e-commerce, e-markets, remote service and other components. The digital economy reflects the transition from the third industrial revolution to the fourth industrial revolution. The third industrial revolution, sometimes called the digital revolution, refers to the changes that occurred in the late 20th century with the transition from analog electronic and mechanical devices to digital technologies. The fourth industrial revolution is based on the digital revolution. Although today some individuals use technology to easily perform tasks available on a computer, the digital economy is more advanced. It's not just about using a computer to perform tasks traditionally done manually or on analog devices. The digital economy emphasizes the ability and need for organizations and individuals to use technology to do things better, faster, and often differently than before. In addition, the term reflects the ability to use technology to complete tasks and participate in activities that were not possible in the past. Such opportunities for existing organizations to do better, to do more, to do differently and to do new things are included in the relevant concept of digital transformation. The digital economy goes far beyond digitization and automation. Instead, this new paradigm uses several advanced technologies and new technology platforms.

These technologies and platforms include, but are not limited to, hyper-connectivity, advanced analytics, wireless networks, mobile devices and social media. The digital economy uses these technologies separately and together to process traditional exchanges and create new ones. To compete, organizations—commercial enterprises, service-oriented businesses such as health care systems, or nonprofits and government agencies—all need employees with the ability to innovate and use digital technologies. The digital economy is an umbrella term used to describe markets that focus on digital technologies. They are usually related to the sale of information goods or services through electronic commerce. The digital economy is an important sector that provides significant growth. In addition, the impact of the digital economy extends beyond information goods and services to other sectors of the economy, including lifestyles in general. In particular, the development of mobile devices has greatly expanded the reach of the Internet in society. Consequently, competition issues arising in the digital economy are becoming increasingly important in competition matters. Competition in digital markets has certain characteristics. Competition in large digital markets often takes a unique form. First, competition between business models or platforms is more important than business model



competition. In other words, dominance or even monopoly of Internet platforms almost always leads to business success. Second, digital markets are often characterized by strong network effects and economies of scale, which reinforce this feature of competition through dominance. Third, many digital markets are two-way, so at least two groups of users benefit from using a digital platform. For example, search engines are used both to access information on the Internet and to reach audiences by advertisers. Fourth, digital markets are characterized by a high rate of investment and innovation, which leads to rapid technological development in the industry. Competition in digital markets has historically often been cyclical. A successful firm may have significant market power, but this dominance may be vulnerable to subsequent cycles of innovation. The digital economy is all-encompassing.

The digital economy is an economic activity that is the main factor in the production of digital data, and the use of large volumes of processing and analysis results can significantly increase the efficiency of various types of data compared to traditional forms of management. There are also scientific definitions of this concept. Thus, some scientists define the digital (electronic) economy as an economy whose distinctive feature is the maximum satisfaction of the needs of all its participants through the use of information, including personal information. This is possible due to the development of information, communication and financial technologies, as well as the existence of an infrastructure that provides the possibility of full interaction in the hybrid world of all participants of economic activity: subjects and objects of the creation process. , distribution, exchange and consumption of goods and services. According to the definition of the World Bank, the digital economy is a system of economic, social and cultural relations based on the use of digital information and communication technologies. Some scholars distinguish three main components of the digital economy: infrastructure, including hardware, software, telecommunications, etc. electronic business operations, covering the business process carried out through computer networks within the framework of virtual interactions between virtual market entities; E-commerce, which involves the delivery of goods over the Internet and is currently the largest segment of the digital economy.

The main features of the digital economy are determined by:

- economic activity is directed to "digital" economy platforms;
- personalized service models;
- direct interaction of producers and consumers;
- spread of joint economy;
- the important role of the contribution of individual participants

Types of digital developing zones according to levels:



**Leaders:** This zone includes economies characterized by a high initial level of digitization and strong development rates in this area.

Three countries in particular stand out here: South Korea, Singapore and Hong Kong. Along with several other economies such as Estonia, Taiwan, and the UAE, they consistently rank among the leaders in such indices due to their adaptability and institutional support for innovation. Interestingly, the US is second only to Singapore in terms of digital evolution: an impressive growth rate for an economy of this size and complexity.

What makes these countries different? Each individual case is unique, but our analysis shows that the most successful ones chose the following priorities:

1. Support the implementation of digital consumer tools (online commerce, digital payments, entertainment, etc.);
2. Recruitment, training and retention of IT staff;
3. Education of digital startups;
4. Provision of fast and mass access to the Internet - both terrestrial (for example, optical fiber) and mobile;
5. Specialization in exporting digital goods, services or mass media;
6. Coordinated innovation process: universities, business and ministries responsible for digital development.

### **Prospective**

This zone is characterized by economies that still have limited digital infrastructure but are rapidly digitizing. China stands out here: in terms of the pace of digital evolution, it is significantly ahead of all other countries, primarily due to the combination of rapidly growing demand and innovation. The other two prominent members of the group are Indonesia and India: these are huge countries, but they are the third and fourth fastest growing countries in the world. In addition to these large developing countries, several medium-sized countries such as Kenya, Vietnam, Bangladesh, Rwanda, and Argentina are also experiencing rapid digital development, indicating the potential of a digitalization boom to benefit economic recovery as well. 19 and long-term transformation from the COVID-19 pandemic.

Based on our analysis, we found that successful disruptive economies focus on:

1. Connecting to the mobile Internet network, increasing its availability and quality for wider promotion of innovations;
2. Strengthening the institutional environment and developing digital legislation;



3. Use applications to encourage investment in digital enterprises, finance digital research and development, train IT staff and create jobs;

4. Slowing down measures to reduce disparities in the use of digital tools based on gender, class, ethnicity and geography (although access remains largely uneven)

This zone includes countries with mature digital systems, but the rate of further development is low. Most of these countries are members of the European Union. This is partly due to the natural growth retardation that accompanies puberty. Moreover, many countries in the region have deliberately chosen to sacrifice growth for responsible and inclusive development. To regain momentum (without sacrificing their values), these countries should prioritize:

1. Protection against digital plateaus: additional investments in stable institutional pillars, regulatory environment and capital markets to support further innovation;

2. Continue to use policy and regulatory tools (as data for new digital applications become available) to ensure equal access to digital opportunities and protect all consumers from privacy violations, cyberattacks, and other threats;

3. Attract, train and retain professionals with digital skills – often through immigration policy reforms;

4. Identify new technological niches and create ecosystems that encourage innovation in these areas.

Finally, the last zone, which includes the countries of Africa, Asia, Latin America and Southern Europe, is characterized by problems in the existing digital ecosystem and low growth. Countries in this zone should follow the example of emerging economies in using digital growth as a tool for economic stability. In particular, the following priorities should be set in troubled economies with high demand for the digital segment:

1. Long-term investments to solve basic infrastructure problems;

2. Creating an institutional environment that supports the safe and widespread distribution of digital products and services to consumers - especially if these products contribute to production and job creation;

3. Support initiatives to develop digital access for historically vulnerable segments of the population (especially through cooperation between the state and private business);

4. Support applications that solve real problems and thus can be a catalyst for the spread of digital tools (e.g. digital payment platforms).

The digital economy is the driving force of innovation, competitiveness and economic growth in the world, creates new market opportunities, expands trade horizons through participation in e-commerce, global production chains. On the other hand, the



rapid development of the digital economy creates new threats and planetary risks related to digital issues, cyber security issues and environmental impact.

According to the International Telecommunication Union, 81.3% of households in developed countries, 60.1% in the CIS, 34.1% in developing countries, and 6.7% in less developed countries have access to the Internet.

The main directions of development of the digital economy

- Support the free flow of information to stimulate innovation, promote research and knowledge sharing, expand trade and e-commerce, and develop new businesses and services.

- Encourage digital innovation and creativity to stimulate growth and solve global social challenges, encourage the availability of data, including open data in the public sector, and encourage entrepreneurship.

- Harnessing the potential of digital infrastructure and services to drive broadband growth and bridge the digital divide.

- Expand opportunities related to new

- Promote a digital security risk management and privacy protection framework to strengthen trust in the digital economy, and ensure the implementation of consistent digital security policies.

- Stimulating the process of removing obstacles in e-commerce (domestic and cross-border) for the benefit of consumers and businesses, as well as developing cooperation between consumer rights protection bodies and other state bodies at the national and international levels.

- Using online platforms that create opportunities for new forms of production, consumption and collaboration.

- Encourage and develop employment opportunities related to the digital economy.

- Provide the skills needed to participate in the digital economy and society through educational adaptation and reprofiling policies, promoting digital literacy, and developing digital education and ICT skills.

The current landscape is a patchwork of national regulations based on economic development, privacy protection, and other human rights and national security goals. These challenge the free, decentralized and open spirit of the Internet and create barriers to the potentially beneficial flow of information across borders. Moreover, although the problem of regulating these flows is global in nature, there is currently no satisfactory solution at the regional or international level.

A global, broad policy approach is needed to reflect the multiple and interconnected dimensions of data. It should maintain a balance with proper consideration of different interests and needs and support inclusive and sustainable development. To truly work for the benefit of people and the planet, an international governance system must seek to ensure that the benefits of data flows are shared equitably within and between countries, while addressing the risks and concerns that may arise. must provide. To achieve this, an international data governance system must seek to ensure that the



benefits of data flows are shared equally within and between countries, in order to strengthen policy dialogue that is inclusive of all relevant actors and truly work for the benefit of people and the planet. ensuring that risks and concerns are addressed.

Cross-Border Data Flows and Development: For Whom Data Flows Can Help Develop the Necessary Regulatory Framework and Appropriate Institutional Structure, Creating a New International Body Focused on Data-Related Governance can lead to creation.

The opportunities afforded by data-driven digital technologies are pervasive and all-encompassing; and it is beyond the power of any nation to address the dangers and threats. Governments are relatively accustomed to dealing with new disruptive technologies that cause major changes in the economy and society, but data disruption goes beyond this and involves human cognition and control, social organization and construction, democratic values, and individual rights. raises existential questions. .

The COVID-19 pandemic has taught the world important lessons about the interaction between policy and data and the potential role data can play in combating global crises. People's lives depend on real-time data and technological support like never before - from monitoring and controlling the spread of pandemics to the way we carry out our daily activities (working, shopping, communicating, receiving education, etc. ) and the way scientists develop new vaccines in record time. Crises such as these do not obey established national boundaries and borders, and solutions therefore require transboundary.

National interests, along with the existential interests of humanity and the planet, are best served by international cooperation to develop and regulate cross-border data flows.

Many questions remain open in the uncharted territory of the rapidly evolving data-driven digital economy. The answers must be found through a global, multi-sectoral and multi-stakeholder policy debate. It is necessary to revise and expand the international policy discussions on this issue, taking into account the economic and non-economic aspects of the data. The challenges of increased interconnection and interdependence in the global information economy require a shift from a silo approach to a holistically coordinated global approach. It may be necessary to include global innovative methods of management, because the old ones may not be suitable for the new context. The challenges are extremely complex and multifaceted, thus requiring new models of engagement. Potential solutions should both respect basic universal human rights and be flexible enough to reflect local interests and cultures. Management must also be flexible and agile, taking into account rapid changes in digital technologies and the technological context; the problems that need to be solved today may be different from those that arise in a few years. Because many problems are global, global solutions are needed.



International or regional regulations should take into account the necessary policy space for capacity building and development.

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