

CONTEMPORARY MANIFESTATIONS OF COMMON THREATS AND ECONOMIC RISKS DERIVED FROM THEM

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Introduction. Our main objective is to identify the need for cooperation, particularly regional and global strategy development in the context of neutralizing common threats and increasing competitiveness, and to present the prerequisites for its implementation. Therefore, we will look at the connection between threats - economic risks - competitiveness, we will consider the role of cooperation in reducing these threats. Finally, the threats that cause certain economic risks with their possible impact on the country's competitiveness will be presented.

Methodology. In general, threats of a global nature, i.e. common to almost all countries, are not decreasing, but increasing. In addition, some of them, instead of being reduced, become more acute and deepen. One of the important examples of what has been said is the threat of food, which, according to the definition of the United Nations, turns into a threat of hunger. In particular, the director of the UN World Food Program, David Beasley, has predicted that humanity will face mass starvation, political instability and uncontrolled migration if measures are not taken to solve the current food crisis [Beasley, 2022]. According to him, due to the aggravation of this problem, next year will be much worse. He believes that people in different parts of the world will have difficulties in the next 12 months due to the increase in food prices. Beasley emphasized that neglecting this problem threatens the world with food shortages.

Literature review. Among the general threats, the energy crisis is getting worse, which leads to another inflationary risks that are difficult to manage so far, which has a chain effect on all levels of competitiveness, and leads to structural and other changes in the economies of individual, including developed countries.

Among other common threats, we highlight so-called non-tariff barriers to foreign trade, blockades of transport communications in political and armed conflict or other conditions, which prevent local companies from entering foreign markets and forming their external demand, which in turn can lead to the following results:

- reduction of internal consumption and export volume of goods and services of an individual company at the micro level, further decline of the competitiveness [Boltho, 1996, pp. 1-16] of the companies producing them based on the reduction of the scale effect;

- reduction of extensive investments at the meso level and slowing down the development of national competitive advantages and innovative activities, scientific and technical capacity, suspension of the introduction of modern production mechanisms [Danziger & Haveman, 2001, 23],
 - growth of development disparities, property inequality and stratification of society at the macro level, increase of dependence on imports, new risks of intellectual security of the given sector [Dinu et al., 2021, 948-963],
 - reducing the volume of trade turnover with neighboring countries at the regional level, which has a negative effect on the efficiency of the economy and the competitiveness of the processing industries in particular [Leontief, 1953, 332-349]
- .Global warming is also among the common threats and negatively affects the economies of regions and individual countries.
- at the macro level, although worldwide lockdowns led to a reduction in global emissions in the first half of the 2020s, the experience of the 2008-2009 financial crisis suggests that emissions can again cause major damage to the biosphere and economy. The transition to a greener economy in Armenia cannot be delayed until the upheaval caused by the epidemic subsides. "Failure to mitigate climate change" is one of the most significant and likely risks to damage the economy's competitiveness identified in our research.

Scientific novelty. One of the prerequisites for solving the mentioned problems is the development of competition based on production factors. At this stage, all national economies operating successfully in the world market and their branches achieve their competitive advantages almost exclusively due to the main factors of production: natural resources, various crops in agriculture and favorable conditions for their processing, a sufficient amount of cheap and skilled labor. In such an economy, competition between firms within a country takes place solely on the basis of low prices in product areas that require unsophisticated or cheap and readily available technology.

Analysis. Undoubtedly, one can add to the listed threats the threat of the Corona pandemic, which suddenly broke out for the economies of all countries, which brought with it risks in almost all branches of the economy. As a result, many countries closed not only external but also internal borders. The coronavirus is a serious blow to the modern world, which developed political systems should have faced. Not only health, but also economic, political and social departments had to respond promptly and appropriately. The COVID-19 pandemic is not only claiming millions of lives, but also negatively affecting the economy. The economic shock of the pandemic, in the form of massive job losses, has exacerbated imbalances, with long-term consequences, and an uneven recovery could lead to the worst. It is worth noting that about 60% of respondents to the Global Risk Perception Survey conducted by experts at the World

Economic Forum in Davos considered "infectious diseases" and "livelihood crisis" as the main short-term threats to the world. In particular,

- at the micro level, the crisis gave a new impetus to the current trends in the business sector; The business risks stemming from these trends have been exacerbated by the pandemic and include stagnation in developed countries and loss of potential in emerging markets, the collapse of small businesses, widening gaps between large and small firms, a decline in market dynamism and a worsening of mismatches.
- at the macro level, it is difficult to achieve long-term sustainable development under these conditions.
- at the meso level, not only individual industries have been affected, but COVID-19 has accelerated the fourth industrial revolution, expanding the digitization of human interaction, e-commerce, online education and telecommunications. These changes will transform society long after the pandemic and will include positive changes, including the possibility of telecommunications and the rapid development of vaccines. But they also exacerbate the risk of creating inequality.

Among the common threats, wars are perhaps the most important. In the twenty-first century, they cause especially great damage in the post-Soviet area. In 2022, Russia-Ukraine, Azerbaijan-Armenia and other armed conflicts were added to them. All this, taken together, not only does not contribute to the effective management of existing risks at the micro, meso and macro levels, but also creates and increases new threats. In particular:

- investment and innovative activities are disrupted;
- artificial obstacles arise for the effective realization of scientific and technical ability;
- in conditions of regional isolation, monopolies in various branches of the economy are increasing;
- hinders the introduction of modern production mechanisms;
- they create fertile ground for the increase of military expenses, the increase of internal and external state debt, the decline of the country's solvency, the shadow economy and its criminalization;
- the use of discriminatory approaches in foreign trade;
- it becomes difficult to ensure food security, energy security, security of information and other spheres;
- new obstacles are emerging for the security of communication and transport communications in the region;
- problems are created in the region in the protection of the environment and in the joint fight against natural and man-made disasters.

We also emphasize the information threat, which is an essential part of modern hybrid wars, and which is the subject of every state's attention even in peaceful conditions. The

risks derived from this are present at both macro, meso and micro levels. In purely economic terms, the mastery of large volumes of data, which is necessary for large companies to effectively coordinate work with branches and partners scattered around the world.

Obviously, an insufficient level of information security leads to a decrease in competitiveness for a given company at micro, meso levels, and for international or joint ventures also at regional and global levels, and in competing countries leads to an increase in competitiveness at micro, meso and macro levels. In the case of Armenia, IT programs are mainly developed by order of foreign companies, not having a great demand in the local market, at the macro level, IT is not integrated much into the economy and turns other countries into a "technological attachment"; In turn, this also creates information security risks for competitiveness at the micro, meso and macro levels in the face of fierce competition abroad.

In 2022, sharp changes in exchange rates and increased financial volatility in various regions and the world intensified, which, together with the gradual increase in the use of crypto-currency, has the following impact on risk management and competitiveness. On the macro level, on the one hand, it promotes free competition, on the other hand, it increases the instability of the financial system, in the case of attractive investment projects abroad, it increases the outflow of foreign currency from the country if there is an unstable situation in the country, it increases the level of dollarization of the economy and the instability of the national currency in relation to foreign exchange and crypto currency, etc. , and at the macro, meso and micro levels risks arise in terms of financial security, which negatively affects competitiveness at all levels. Thus, steps aimed at increasing economic competitiveness at all levels are carried out in the context of existing and growing risks in domestic, regional and global economies. It is noteworthy that the high degree of interdependence of countries, which is expressed mainly by the index of openness, indicates a decrease in the elasticity of the national economy and a decrease in its resistance to the manifestations of crisis situations in the global area.

Effective management of economic risks arising from common threats also requires studying their current state, assessing possible impacts at the micro, meso, macro, regional and global levels, as well as making certain predictions based on the analysis of trends related to current risks. The expert community in 2022 and the following main risks are more important and predicted for the coming years:

- a financial asset bubble can burst wildly in large economies, meaning that the prices of housing, mutual funds, stocks, and other assets in the large economy become increasingly disconnected from the real economy;

- sharp deterioration of system-forming important branches of industry, that is, collapse of systemic branches or companies of significant importance for the world economy, financial markets and society;
- debt crises in large economies. corporate or public finances will be overwhelmed by debt accumulation and debt servicing in major economies, leading to mass bankruptcies, defaults, insolvency, liquidity crises or sovereign debt crises;
- failure to stabilize the trajectories of price fluctuations due to the inability to control the uncontrollable increase (inflation) or decrease (deflation) of the general price level of goods and services;
- the spread of illegal economic activities, that is, the global spread of informal and illegal activities that undermine economic progress and growth;
- prolonged economic stagnation, which will be manifested by almost zero or slow global growth for many years;
- severe commodity shocks - sharp shocks in the supply and demand of globally important commodities (chemicals, emissions, energy, food, metals, minerals, etc.) that strain corporate, government and personal budgets.

Features of external cooperation and competition of the economy of the Republic of Armenia. We believe that healthy and fair competition is a prerequisite for development at the micro, meso and macro levels, unless we are talking about natural monopolies, cooperation is MORE beneficial at the regional and global levels.

Finally, without cooperation, only those /mainly large/ countries that have achieved a high level of competitiveness, can apply the scale effect and have a refined and effectively applied toolkit of economic diplomacy can freely compete in foreign markets.

Table 1. Armenia's competitiveness rating and index until the pandemic

indicator	last	previous	measure	date ¹
Competitiveness rating	69.00	70.00		2019 december
Competitiveness index	61.28	59.86	points	2019 december

¹ 2019 is mentioned as a pre-pandemic year.

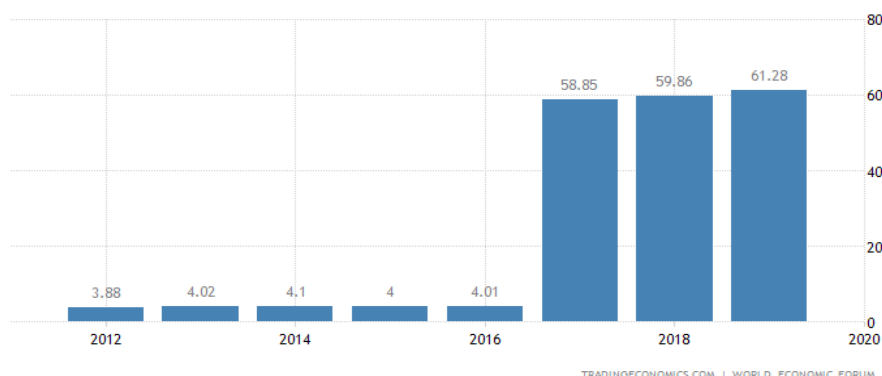


Figure 1. Competitiveness of Armenia 2012-2020

For now, Armenia is seriously lagging behind its competitors and neighbors in the development of competition at almost all levels, which is crucial for competitiveness. In the 2019 global competitiveness report published by the World Economic Forum, Armenia scored 61.28 points out of 100¹. Therefore, cooperation can contribute to the process of raising these levels in various fields and help to establish a number of preconditions necessary for development.

Armenia's economy, for example, at this stage is highly sensitive and vulnerable to global economic crises and changes in foreign exchange rates, which lead to fluctuations in demand and relative prices. It also turns out that it is extremely vulnerable to the loss or weakening of existing factors and diversification of industrial management, product and geography of its realization, even in case of rapid changes in the situation. A clear proof of this was a certain slowdown in the growth rate of exports of a significant part of domestic goods in case of devaluation of the national currency in 2022. Instead, the possession of natural resources in individual branches, in this case, certain reserves of copper, molybdenum, gold, etc., can provide Armenia with a high per capita income for a long time, but, as we will show below, this is still not a sufficient basis for a sustainable increase in the efficiency of the economy.

Another prerequisite is the development of investment-based competition, which is in decline in Armenia². In this case, the competitive advantage of the economy may be based on the willingness and ability of local enterprises to invest actively, even aggressively. It is an important prerequisite that companies invest in modern, efficient equipment and the best technologies available on the world market, and that these investments are also aimed at acquiring new licenses, creating joint ventures, and ensuring other conditions for increasing the competitiveness of more modern and

¹ Armenia Competitiveness Index, <https://tradingeconomics.com/armenia/competitiveness-index>

² <https://fip.am/15132>

specialized branches and sectors. In fact, few developing countries have reached this stage, but Armenia has no choice.

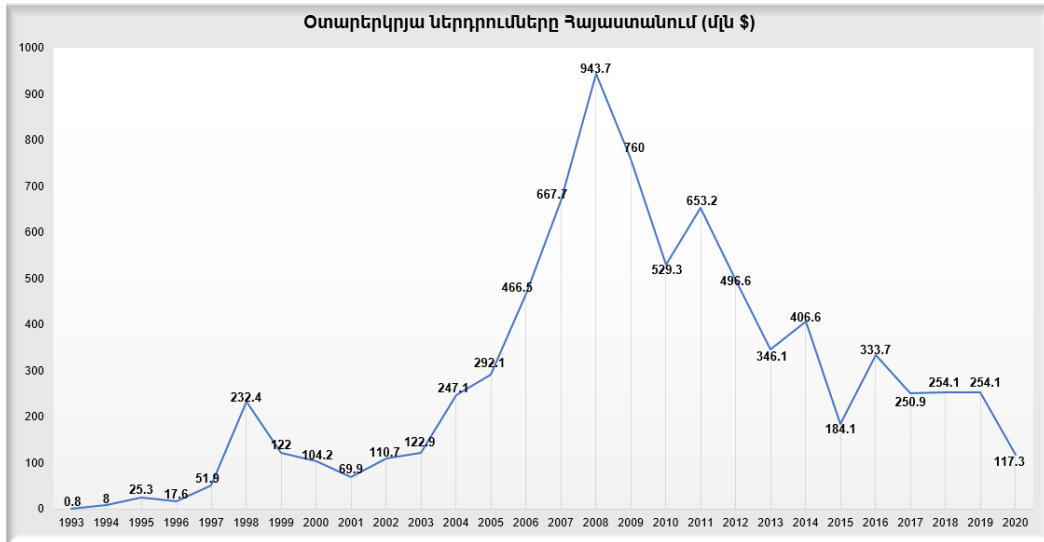


Figure 2. Foreign investments in Armenia, 1993-2020

The next prerequisite is the development of competition based on innovation, which can mainly happen in countries at different levels of economic development. Initially, various industries can initiate to achieve a higher level of competitive advantage through innovation. This process can then be extended to other areas as well. In this way, sprawling development creates the potential for capital inflows and cross-sector financing that are essential to spur economic growth. If we take into account that among the developed countries Great Britain reached the stage of innovation in the first half of the 19th century, the USA, Germany and Sweden during several decades at the end of the 19th and 20th centuries, Italy and Japan reached this stage only in the 70s of the 20th century. AD, then one can imagine what Armenia should do to ensure this prerequisite.

Conclusion. Competition based on wealth, as a prerequisite, unlike the previous ones, ultimately leads to a decline in production. The driving force of the economy is already acquired abundance. The main problem is that the economy, guided by the wealth created earlier, begins to lose the ability to consolidate the acquired positions and advantages. This is mainly due to the fact that the interest of investors, managers and individuals is changing in a direction that undermines the sustainability of investment and innovation processes and, therefore, economic growth. New goals are set (Germany, Sweden), which are often very welcome from a social point of view, but which, however, crowd out the interests promoting economic progress. International experience proves that at this stage companies begin to lose ground in international competition.

This is mainly due to the fact that they pay more attention to maintaining their previous positions than to strengthening them; companies' interest in increasing investments is decreasing. One of the symptoms of moving to this stage is the increase in the number of so-called mergers and acquisitions of companies [Angwin, 2015]. Firms with excess capital seek profitable investment opportunities without the risk of starting new firms. The increase in corporate takeovers may also reflect a desire to eliminate competition and increase stability. Acquisitions create the illusion of progress without creating new companies or strengthening the competitiveness of existing ones. Often they further slow down innovation. It should be noted that obvious signs that the economy has entered a rich phase may not appear for a long time due to inertia existing due to consumer loyalty or established market positions. However, as soon as a few leading segments begin to lose their competitive edge, this process immediately spreads to other areas. Industries that have not innovated for a long time become poor buyers for their suppliers and lose the ability to sustain, let alone accelerate, innovation in the industries they serve [Reshetov et al., 2018, 271-276].

However, until Armenia reaches a certain level of income and savings, the main danger it faces is not a transition to wealth, but a gradual regression. Decreased competition, delay in the creation of new factors, decline of interest at all three levels or lack of its structures and deterioration of the quality of demand are not all the phenomena and factors that lead to a decrease in the speed of modernization and renewal. A typical example of a country facing such a threat is present-day Denmark [Murad et al., 2018, 12]. As positions weaken in leading industries and sectors, a decline in wages and living standards inevitably follows.

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Contemporary manifestations of common threats and economic risks derived from them

Key words: youth employment, unemployment, skilled labor, labor market, "brain drain", economic security

In this article, our goal is to identify the need for cooperation, particularly regional and global strategy development in the context of neutralizing common threats and increasing competitiveness, and to present the prerequisites for its implementation. Therefore, we look at the connection between threats – economic risks - competitiveness, we will consider the role of cooperation in reducing these threats. Finally, the threats that cause certain economic risks with their possible impact on the country's competitiveness will be presented. As soon as firms lose high-order competitive advantages, there is a decline in production in the local industry, and then local firms turn to price competition. Slowing wage and job growth, rising unemployment further reduce interest in increasing production efficiency, leading to further weakening of market positions. The level of personal income of the population begins to decrease compared to other developed countries, which has a negative impact on the quality and variety of domestic demand.