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OVERVIEW OF THE ROLE OF DEVELOPING COUNTRIES IN INTERNATIONAL TRADE

The study considers the factors of income gap, borrowing and debt, capital inflow concerning the participation of developing countries in international trade.

Income Gap. The income gap refers to the unequal distribution of income among the population. In many developing countries, a small percentage of the population has a disproportionately large share of the national income, while the majority of people live under poverty line.

There are several reasons why income gaps exist in developing countries. One of the main causes is unequal access to education and job opportunities.

Another factor that contributes to income gaps is the unequal distribution of wealth and resources. In many developing countries, the wealthy elite control most of the country's resources, including land, capital, and natural resources.

In addition, political instability, corruption, and weak institutions can also exacerbate income inequality in developing countries. When governments are corrupt or ineffective, they may not be able to implement policies and programs that would help to reduce income gaps.

Borrowing and Debt. Because many developing economies offer potentially rich opportunities for investment, it is natural that they have current account deficits and borrow from richer countries. In principle, developing country borrowing can lead to gains from trade that make both borrowers and lenders better off. However, in practice, excessive borrowing and debt often lead to many problems [1].

One of the main challenges of borrowing and debt in developing countries is the risk of a to default crises that generally interact with currency and banking crises.

Furthermore, borrowing and debt can also affect political stability. In some cases, countries become heavily indebted to external creditors, creating concerns about sovereignty and foreign influence, which can lead to political unrest and instability.

Also, another problem with borrowing and debt in developing countries is corruption and mismanagement. Corrupt officials use borrowed funds for personal gain rather than investing in development projects, leading to a waste of resources and an increase in debt.

Capital Inflow. Capital inflow is a significant driver of economic growth in developing countries. Capital inflow refers to the amount of money that flows into a country from external sources, including foreign direct investment (FDI), portfolio investment, and loans. Capital inflow can help developing countries access the capital they need to invest in development projects. However, capital inflows can also have negative consequences.

They may lead to excessive expansion of aggregate demand or macroeconomic overheating. This expansion is likely to be reflected in inflationary pressures, real exchange rate appreciation, and widening current account deficits.

Venezuela is a very vivid example of a developing country that is struggling with all of the above issues.

Despite being one of the wealthiest countries in South America, with vast oil reserves, a large percentage of the population lives in poverty. The income gap in Venezuela has been exacerbated by economic mismanagement, political instability, and corruption.

According to a study by the National Poll of Living Conditions (ENCOVI), in 2021, 91% of Venezuela's population lived below the poverty line, with an estimated 68% living in extreme poverty. The income gap in Venezuela is one of the highest in Latin America, with the wealthiest segment of Venezuelan society being 70 times richer than the poorest one [2].

One of the main reasons for the income gap in Venezuela is the country's reliance on oil exports, which has led to a lack of economic diversification. When oil prices were high, Venezuela's government was able to provide social programs and subsidies, but when oil prices fell, the country's economy began to suffer. Economic mismanagement, corruption, and political instability have also contributed to the income gap in Venezuela.

Venezuela has been relying heavily on external borrowing to finance its development projects. However, this has led to a debt crisis, which has had negative consequences for the country's economy and people. Venezuela has an estimated debt burden of $150 billion or higher. The country's reliance on external borrowing has led to concerns about its ability to service its debt, especially in the face of declining oil prices and political instability.

In addition to external debt, Venezuela has also been struggling with domestic debt, which has been fueled by inflation and currency devaluation. The government has been printing money to finance its expenditures, leading to hyperinflation and a devaluation of the country's currency. This has made it difficult for the government to repay its debts.

Capital inflow in Venezuela has been volatile in recent years due to the country's economic and political instability. While Venezuela has historically been a recipient of significant foreign investment due to its abundant oil reserves, the country's recent economic crisis has led to a decline in capital inflows [3].

One of the main sources of capital inflow in Venezuela has been foreign direct investment in the oil sector. However, the government's policies, including nationalization and expropriation of foreign companies, have led to a decline in FDI in recent years.

Conclusion. For developing countries the income gap, borrowing and debt, and capital inflow are all important issues that can affect the economic development and stability. It is important for policymakers to carefully manage these issues to ensure sustainable and equitable growth. As in the case of Venezuela, the country will need to implement many reforms, improve its macroeconomic imbalances, promote economic diversification, undertake effective debt management policies and programs, address corruption and mismanagement, promote a favorable business environment.

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